3 Canadian Dividend Aristocrats Yielding Over 8%

Description

The recent market downtrend has presented investors with a unique opportunity: reliable Canadian dividend aristocrats are now yielding massive dividends. A Canadian dividend aristocrat is a company that has successfully grown its dividends for five or more consecutive years. Dividend-growth investors typically refer to this list as a starting point before making any investment decisions. As a result of the recent dip, there are now three aristocrats that offer starting yields about 8%. A high yield may raise red flags for investors and could signal a dividend cut in the near future. However, there is little risk of this happening with this trio.

Altagas Ltd. (TSX:ALA) tops the list with a juicy 9.41% yield. Altagas is a Canada-based energy infrastructure company that operates through three segments: gas, power, and utilities.

The company's share price has been under pressure ever since it announced its acquisition of **WGL Holdings Inc.** The Street consensus is that Altagas overpaid, and there are concerns that the deal will not pass regulatory scrutiny. Altagas's stock has been punished ever since.

The good news for investors is that they are being paid handsomely to wait while the acquisition gets sorted out. Altagas just reported strong fourth-quarter results last week in which it increased its dividend by 4.3%. The WGL acquisition is also anticipated to support a dividend compound annual growth rate between 8% and 10% through 2021. The company is not worried about its dividend, and neither should investors worry.

Next on the list is **Enbridge Income Fund Holdings Inc.** (TSX:ENF), a holding company whose portfolio is made up of energy infrastructure assets. It is involved in the transportation, storage, and generation of energy through its liquids transportation and storage assets.

The company currently yields 8.46% and has a seven-year dividend-growth streak. Enbridge expectsto raise dividends by 10% annually through 2019. Its share price has significantly underperformed the market, yet the company continues to deliver. Any threat to the dividend is overexaggerated, as 96% of the company’s cash flows are underpinned by long-term contracts. Furthermore, its dividend is well covered, as its distribution coverage ratio was 1.22 in 2017.

The last company on the list is **TransAlta Renewables Inc.** (TSX:RNW). TransAlta is engaged in developing, owning, and operating renewable power generation facilities. The company now yields 8.05% and was just added to the Canadian aristocrat list this year.

TransAlta has been weighed down by its dispute with Fortescue Metals Group, which was contracted to obtain power from TransAlta’s South Hedland Facility in Australia. Fortescue terminated the contract, and there has yet to be a resolution. The dividend is well covered by its adjusted funds from operations (AFFO) and its cash available for distribution (CAFD). Its AFFO coverage ratio is 1.3, while is CAFD ratio is 1.22. This past September, the company raised dividends by 7%, and its CAFD is expected to increase in the low single digits in 2018. TransAlta has little debt, and with long-term contracts firmly in place, the company should raise dividends in line with CAFD growth.

Dividends are safe

Each of these companies have record high yields and none are at risk of a dividend cut in the near future. In fact, all three are expected to continue raising dividends, and it is only a matter of time before the market bids up their share prices. Investors can enjoy the high income, while they wait for their share prices to inevitably rebound.

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