Attention, Conservative Investors: 2 Canadian Dividend Growth Stocks for Your TFSA Today!

Description

Volatility has returned to the stock market in 2018, which has some investors wondering if they should diversify their portfolios with a few steady dividend-growth stocks.

Let's take a look at **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **Telus Corporation** (TSX:T)(NYSE:TU) to see why they might be interesting picks.

CN

CN is the only rail carrier in North America with routes connecting three coasts. The company literally acts as the backbone of the Canadian and U.S. economies, transporting coal, cars, lumber, grain, crude oil and consumer goods, among other things.

The odds of new tracks being built along the same routes are pretty slim, and merger attempts in the rail industry tend to run into regulatory roadblocks. As a result, CN's competitive advantage should continue for the forseeable future.

The company still has to compete with trucking companies and other rail carriers on some routes, so management works hard to ensure that the business runs as efficiently as possible. The company is investing in track upgrades and building new intermodal terminals, and has also ordered 200 new locomotives, of which 60 will go into service in 2018.

The stock has stumbled recently amid a slight drop in the operating ratio and the ousting of its CEO, but history suggests that the company will regain its top form and reward loyal investors.

CN raised its dividend by 10% for 2018 and has a strong track record of dividend growth supported by growing revenue and free cash flow. A $10,000 investment in CN just 20 years ago would be worth more than $160,000 today with the dividends reinvested.

At the time of writing, the stock provides a yield of 1.9%.

Telus

Telus provides mobile, internet, and TV services to Canadian homes and businesses across the country. The company is also growing its Telus Health division, which is Canada's leading provider of digital solutions to doctors, hospitals, and insurance companies.

Telus invests heavily in its customer satisfaction programs, and those efforts are showing up in the numbers. The company regularly reports the industry's lowest postpaid mobile churn rate and has reported 29 straight quarters of average revenue per user growth on a year-over-year basis.

Subscriber numbers continue to climb across the core business units, and Telus says it reached its peak capital expenditures in 2017. As a result, free cash flow should improve in 2018, and beyond, thereby supporting continued dividend growth.

The company has raised the payout 14 times since May 2011 and is targeting a 7-10% increase in 2018.

The current distribution provides a 4.4% yield.

The bottom line

CN and Telus might not be exciting stocks, but conservative dividend investors are searching for reliable, steady returns, not entertainment.

Both stocks have pulled back amid the broader downturn in the market and currently appear to be reasonably priced. If you have some cash on the sidelines and are looking for a couple of buy-and-hold picks for a dividend-growth portfolio, CN and Telus deserve to be on your radar.

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Date
2025/08/15
Date Created
2018/04/27
Author
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