3 Attractively Valued, Top Dividend-Growth Stocks for 2019

Description

The latest market pullback, which sees the broader TSX down by almost 16% since the start of 2018, has created an opportunity for investors to acquire top-quality dividend-growth stocks at attractive valuations.

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When choosing to take advantage of market downturns, particularly in an environment where volatility, fear, and uncertainty are rising, investors should look to acquire undervalued blue chips with wide economic moats, reliable earnings, and sustainable yields. The following three companies are attractively valued and are poised to unlock considerable value for investors over 2019, while rewarding them with sustainable, regularly growing dividends.

Brookfield Renewable Partners (TSX:BEP.UN)(NYSE:BEP) is a publicly listed globally diversified renewable energy utility, which has seen its value fall by 22% since the start of 2018. This has provided an opportunity to acquire Brookfield Renewable and lock in a 7.5% yield. The ongoing push to reduce pollution and minimize the impact of global warming as encapsulated in the Paris Agreement will act as a powerful tailwind for the partnership.

Like traditional electric utilities, Brookfield Renewable possesses a wide economic moat, which protects its earnings and bolsters the sustainability of its juicy yield. The diversified nature of its electricity-generating assets, with it operating in a range of developed and emerging markets, helps to shield it from economic downturns; plus it can benefit from higher economic growth in developing nations such as Brazil and Colombia.

Enbridge (TSX:NEB)(NYSE:ENB) continues to garner considerable negative attention from short-sellers to see it ranked as the third most-shorted stock on the TSX. Much of that sentiment — which relates to concerns over Enbridge's massive pile of debt totalling almost $59 billion, rising interest rates, and weaker oil — appears significantly overblown. That attention has caused Enbridge to fall by 21% for the year to date, creating an opportunity for investors to acquire it at an attractive valuation and lock in a juicy 7% yield.

Enbridge announced some solid third-quarter 2018 numbers and is focused on reducing risk within its operations. It is currently involved in simplifying its capital structure by rolling up its separately listed vehicles into a single entity, which will reduce costs and improve Enbridge's credit profile. By late December 2018, the company had completed the mergers of Enbridge Energy Partners, L.P. and Enbridge Energy Management, L.L.C.

Enbridge is also focused on reducing debt by divesting itself of non-core assets; for 2018 it completed $7.5 billion in asset sales, which is well ahead of the $3 billion targeted. This will go a long way to reducing the company's debt to a manageable level.

Growing Canadian oil production is combined with a lack of pipeline capacity and Enbridge's $22 billion capital growth program, where all projects are expected to be completed by 2020, further boosting earnings. This portfolio includes the all-important $9 billion Line 3 Replacement program, which is crucial to boost the price of Canadian heavy crude, because it will expand capacity on the key pipeline used to transport bitumen to U.S. refining markets.

When those assets come online, earnings will be boosted, enhancing Enbridge's profitability and the sustainability of its dividend while supporting additional dividend hikes.

Canadian Utilities (TSX:CU) has fallen sharply in recent weeks to be down by 18% for the year to date. This has created an opportunity for investors to acquire an ideal, defensive, dividend-paying stock, which yields an attractive 5%.

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For the third quarter 2018, Canadian Utilities reported solid earnings growth with net income soaring by 38% year over year to $132 million. There is every indication that the company's earnings will keep growing. It has $4.5 billion of growth projects under development, which are all expected to be complete by 2020.

Because most of Canadian Utilities's earnings come from regulated sources and the demand for electricity is relatively inelastic, earnings are virtually guaranteed. That is enhanced by the utility's wide economic moat, which is created by steep regulatory barriers and the significant capital requirements required to enter the utility sector.

Why buy these three stocks?

All three stocks are attractively valued, possess wide economic moats, are relatively immune to economic downturns, and will soar in 2019 if the global economic outlook improves, all while rewarding investors with solid dividend yields, enhancing the income generated by their portfolios.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:CU (Canadian Utilities Limited)

5. TSX:ENB (Enbridge Inc.)

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mattdsmith

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