



These 2 Stocks Just Increased Their Dividends

Description

Isn't it nice to generate income while you wait for your stocks to appreciate? If you think so too, check out **TransCanada** ([TSX:TRP](#))([NYSE:TRP](#)) and **Birchcliff Energy** ([TSX:BIR](#)). The two [energy stocks](#) just increased their dividends!

TransCanada offers a safe 5.3% yield

This year marks TransCanada's 19th consecutive year of dividend growth! On reporting its fourth-quarter and full-year results for 2018, the energy infrastructure company increased its quarterly dividend by 8.7%. Its annual payout is now \$3 per share. Its five-year dividend growth rate through 2019 is 9.3%.

TransCanada's distributable cash flow increased on average 11.5% per year over the past three years and 2.92% on a per-share basis. Its 2018 distributable cash flow per share was \$6.52, which led to a payout ratio of about 42%.

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Here's a positive quote from TransCanada's president and CEO, Russ Girling, "With our existing asset base expected to benefit from supportive market fundamentals and \$36 billion of secured growth projects currently underway, approximately \$9 billion of which is commissioning or nearing completion, earnings and cash flow are forecast to continue to rise. This is expected to support annual dividend growth of eight to ten per cent through 2021. We have invested \$13 billion in these projects to date and are well positioned to fund the remainder of our secured growth program through significant and growing internally generated cash flow, access to capital markets and further portfolio management activities..."

At \$53.36 per share as of writing, TransCanada offers a solid yield of 5.3%. The stock is slightly

undervalued, with about 11% near-term upside potential according to the analyst consensus from Thomson Reuters.

Birchcliff offers a safe 3% yield and significant upside potential

Low natural gas prices and the negative sentiment around oil and gas producers have punished even well-run companies such as Birchcliff. The natural-gas-weighted producer is still [ridiculously cheap](#) despite the stock popped 3.5% after reporting its fourth-quarter and full-year 2018 results.

At \$3.53 per share as of writing, Birchcliff trades at merely three times cash flow! The stock is at a trough. In past peaks, it had traded as high as 8-16 times cash flow. Even just a multiple of five represents a target price of \$5.26 per share, or 49% upside potential. So, Thomson Reuters' mean 12-month target of \$5.41 per share, or 53% is not farfetched.

Last year, Birchcliff paid out 11% of its cash flows as dividends for its common and preferred shares. That's a conservative payout ratio.

It just increased its dividend by 5%; its new annual payout is \$0.105 per share, and the stock yields nearly 3%. The dividend hike is a strong indicator of management's confidence in the company's outlook. Birchcliff estimates to generate \$330 million of cash flow this year. If so, the payout ratio will be below 11%, which is very sustainable.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:BIR (Birchcliff Energy Ltd.)
3. TSX:TRP (TC Energy Corporation)

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