2 Top Dividend-Paying Stocks Yielding +3% to Buy and Beat the TSX

Description

It is every investor's duty to seeking out rock-solid, reliable companies with strong growth prospects, quality operations, and easily understood businesses that will beat the index. The **S&P/TSX Composite Index** has delivered a lacklustre performance over the last year, gaining a mere 7%. This emphasizes the need for investors to identify stocks with solid growth prospects if they are to achieve key investing goals, such as attaining financial independence.

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Let's take a closer look at two market-beating stocks, which, even after recent solid gains, are poised to deliver further value and soar higher.

Parkland Fuel (TSX:PKI)

The fuels distributor and retailer has gained a whopping 42% over the last year compared to 7% for the broader bourse. By following an aggressive acquisition strategy in recent years, which has focused on buying quality assets at attractive valuations, Parkland has become North America's fastest-growing fuels and lubricants marketer.

The company reported record 2018 adjusted EBITDA of $887 million, which was more than double the $418 million reported for 2017. That impressive earnings growth came on the back of a notable 28% increase in the volume of fuel and petroleum products distributed as well as better-than-expected refining margins.

This robust performance saw Parkland reward investors with yet another dividend hike, adding $0.02 to its annual dividend, which is the sixth successive annual increase, giving the stock a yield of 3%.

Solid earnings growth will continue for 2019 and into 2020, as Parkland continues to unlock further synergies from the Ultramar and Chevron acquisitions, which are estimated to reach $120 million by 2020. The company has also completed the purchase of a 75% interest in Sol Investments, which isthe largest independent marketer and supplier of petroleum products in the Caribbean. This will further boost Parkland's customer base and give earnings a solid lift, particularly with the Caribbean economies expected to keep expanding at a solid pace between now and 2024.

That deal also diversified Parkland's earnings base, reducing its dependence on North America, thereby reducing the impact of a U.S. or Canadian economic downturn.

For these reasons, Parkland will continue to beat the broader market and reward investors with a regular, steadily growing, and sustainable monthly dividend.

Capital Power (TSX:CPX)

Capital Power is an electric utility. Over the last year it has gained an impressive 22%, or more than triple the gains made by the S&P/TSX Composite Index. On top of this impressive capital gain, it pays a regular quarterly dividend, which it has hiked for the last five years straight to see it yielding a juicy 5.5%.

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The company owns 25 power-generating facilities across North America with a combined 5,100 megawatts of power-generating capacity, and that fleet has an average life of 15 years. Capital Power has been steadily expanding its earnings through a combination of bringing new plants online and renegotiating contracted power prices. As electricity consumption and inflation rises, those contracted prices will increase, further boosting earnings.

Capital Power's 2018 adjusted EBITDA shot up by an impressive 20% year over year to $713 million. It is anticipated that adjusted EBITDA will reach as high as $850 million for 2019, representing a 19% year-over-year increase. This will be supported by higher contracted power prices, greater electricity consumption, and the unlocking of further efficiencies as Capital Power focuses on optimizing its operations.

The utility is also transitioning its fleet to cleaner sources of electricity by mothballing coal-fired plants or converting them to natural gas and expanding its renewable facilities. The transition to gas is a powerful driver of earnings because domestic prices for the fossil fuel are depressed due to a localized supply glut and growing production. This — in combination with higher electricity prices — helps to maximize Capital Power's margins.

The utility also has 1,200 megawatts of U.S. wind assets under development, which will further bolster its clean electricity output, boosting earnings and reducing the impact of transitioning away from coal-fired power.

What it means for investors

Both stocks are poised to rally further as they unlock additional value for their existing operations, which will give their earnings notable boost. This will see them continue to outperform the broader market. While investors wait for their shares to rise in value, they will be rewarded by their regular and sustainable dividend payments.

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2. TSX:PKI (Parkland Fuel Corporation)

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