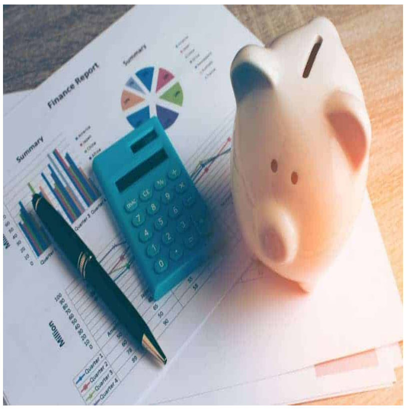

3 Dividend All-Stars to Buy and Hold in Your TFSA Forever

Description

The Fed's softer approach to normalizing monetary policy and reluctance to raise interest rates during the remainder of 2019 has triggered a hunt for yield among investors. One of the easiest and most effective means of achieving financial independence is by investing in high-quality companies that have quality easily understood businesses, wide economic moats, and pay regular growing dividends.

Let's take a closer look at three Canadian companies that have hiked their dividends for at least the last 20 years straight.

Canadian Utilities (TSX:CU)

This leading utility company holds the prestigious honour of having the longest running streak of annual dividend hikes of any Canadian stock, having increased its dividend for the last 46 years straight to yield a juicy 4.5%. For 2018, Canadian Utilities's adjusted earnings remained relatively flat, growing only by 1% year over year to $607 million. While that is somewhat disheartening, the stock is not one that investors seeking stratospheric growth should be investing in.

It is the reliable nature of Canadian Utilities which is where its appeal lies.

The utility generates 86% of its adjusted earnings from regulated sources. This — along with the inelastic demand for electricity and a wide economic moat created by steep regulatory barriers to entry — means they are protected from competition and grow at a steady clip. That supports Canadian Utilities's regular dividend hikes.

The company is also in the process of expanding into electricity generation in Mexico, having acquired and built 46 megawatts of facilities. This will support further earnings growth and hence dividend hikes, allowing Canadian Utilities to maintain its impressive record.

Canadian Western Bank (TSX:CWB)

The bank has increased its dividend annually over the last 27 years, giving it an attractive yield of almost 4%. As the name says, Canadian Western's business is focused on Western Canada — notably, British Columbia and Alberta, which are responsible for 65% of the bank's loans.

This means that Canadian Western has been hit hard by the economic downturn in the energy patch triggered by the sustained oil slump. Through a series of acquisitions, the bank has expanded its operational footprint into Eastern Canada which has mitigated the impact of reduced economic activity in Western Canada.

Canadian Western reported that fiscal first-quarter 2019 net income shot up by 7% year over year to $66.5 million. There is every sign that earnings will keep growing as the economy in Alberta improves because of firmer crude. Credit remains high, as evident from Canadian Western's net impaired loans ratio of 0.42%, which was six basis points lower than a year earlier. Those factors coupled with a low payout ratio of 36% supports the sustainability of the dividend and further annual hikes.

Enbridge (TSX:ENB)(NYSE:ENB)

After acquiring Spectra Energy Partners, the energy infrastructure and midstream services giant became a leading provider of transportation, storage and processing infrastructure for the North American energy patch. Enbridge forms an integral link between Canada's oil patch and crucial U.S. refining markets. It has hiked its dividend for 23 years straight and rewards investors with a very juicy 6%.

The strong 2018 performance reported by Enbridge in 2018 saw it increase its dividend by 10% on the back of adjusted EBITDA, soaring by 25% year over year to $12.8 billion, and distributable cash flow increased by 36% to $7.6 billion. That earnings growth came on the back of growing oil production and the completion of $7 billion of growth projects.

Earnings will continue to expand during 2019 because as oil rallies, Canada's upstream drillers are boosting production, creating greater demand for pipelines and storage facilities.

Enbridge's success at reducing debt will reduce financing costs and bolster its financial flexibility enhancing profit margins. The successful roll-up of its other listed corporate vehicles has reduced the complexity of Enbridge's corporate structure and costs as well as improved the transparency of its operations. That further enhances the company's financial flexibility and profitability.

For these reasons, Enbridge is well positioned to reward investors with further dividend hikes as its financial performance continues to improve.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CU (Canadian Utilities Limited)

3. TSX:CWB (Canadian Western Bank)
4. TSX:ENB (Enbridge Inc.)

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