2 Dividend Aristocrats to Buy and Hold for the Long-Haul

Description

Dividend aristocrats — or companies that have raised their dividends for at least 25 straight years — are highly sought after by investors. These companies generally offer some combination of strong fundamentals, a competitive advantage, and solid growth prospects that help them increase their earnings (and dividends) year after year. Let's look at two Canadian dividend aristocrats that could shower your TFSA with cash for many years to come: **ATCO Ltd** (TSX:ACO.X) and **Canadian Western Bank** (TSX:CWB).

An international conglomerate

ATCO isn't a company that growth investors will find particularly attractive. While the Calgary-based holding company has generally grown its share price over the years, there are far better options on the market if your goal is to profit from significant capital appreciation.

However, ATCO is a well-established dividend paying stock. Over the past 10 years, ATCO has grown its dividends by a compound annual growth rate of about 4.70%. While that may not seem like much, it is essential to keep in mind the firm's long track record of dividend increases, which now extends to 26 years.

Further, ATCO's portfolio of subsidiaries — which operate within the gas, electric, and infrastructure industries — offer the company a strong foundation to build upon. The importance of electricity and gas for modern life can hardly be overstated.

The nature of these goods allows ATCO to pull in fairly stable revenues year after year. The company's 2018 revenues showed an increase of about 6% compared to the previous year, while adjusted earnings increased by about the same amount.

As ATCO continues to grow earnings — both organically and by way of acquisitions — the company looks to have several years (at least) of more dividend increases. ATCO's current dividend yield of 3.56% (at writing) is relatively average by industry's standard, but the company offers a very conservative payout ratio of 52.67%.

Thus, ATCO is well-positioned to continue rewarding shareholders for years.

A mid-cap bank with big dividends

For most investors, Canadian Western Bank probably isn't the first name that comes to mind when considering financial instructions that are worth investing in. The company isn't the largest or most prestigious among its peers. Few banks can boast Canadian Western's dividend streak, though.

Canadian Western has achieved a dividend compound annual growth rate of about 9.40% over the last nine years. The firm managed to increase dividends even when many banks and financial institutions were struggling during the financial crisis of the late 2000s.

Though Canadian Western had a bad year in 2016 — when revenues and especially earnings drastically fell from the year before — the company has been recovering ever since. Over the past two years, Canadian Western grew revenues by 30%, while gross profit and net income have grown by 30% and 40%, respectively.

The Edmonton-based firm is also a relatively cheap option to consider, at least at current levels. Trading at about 8.41 times future earnings at writing, Canadian Western looks like a bargain compared to its peers and the market.

Canadian Western is currently offering a dividend yield of 3.66%, an excellent figure by industry's standard. Further, despite 27 consecutive years of dividend increases, the company's payout ratio of 35.79% is very conservative and shows that more dividend increases are likely on the way. Purchasing shares of Canadian Western could literally pay rich dividends for a very long time.

The bottom line

If you are looking for companies whose dividends can grow as the TFSA contribution limit does the same, ATCO and Canadian Western are interesting options. Both have raised their dividends for over 25 years and seem to have many more years of dividend increases ahead.

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