TFSA Investors: 3 Canadian Dividend Aristocrats Yielding +7%

Description

Many investors consider the Dividend Aristocrats the Holy Grail of income-producing securities. These companies come with a long-term track record of raising their payouts each and every year. Remember, a stock has to hike its dividend for 25 consecutive years before it makes it onto the U.S. aristocrats list.

The qualifications for getting on the Canadian Dividend Aristocrats list are much less stringent. To make it on the Canadian list, a stock needs to meet the following criteria:

- It must trade on the Toronto Stock Exchange and be a part of the S&P Canada Broad Market Index
- It must have a minimum market cap of $300 million
- It must have a five-year streak of consecutive dividend increases, although a two-year pause in dividend growth will still keep an already established company in the list

There are approximately 80 Canadian stocks that make up our list of Dividend Aristocrats. The vast majority of these stocks yield in the 3-5% range, which is bad news for big-income lovers. But there are a few companies that have a history of dividend growth along with a generous payout today.

Here are three Dividend Aristocrats that yield at least 7%.

Inter Pipeline

Inter Pipeline (TSX:IPL) has become one of Canada's largest energy services companies. Its main assets include three pipelines transporting bitumen from the oil sands, natural gas processing plants, conventional pipelines, and fuel storage facilities both in Canada and Europe.

Inter Pipeline is also building the Heartland Petrochemical Complex, a facility that will convert propane into plastic resins. The plant will have a big advantage because propane prices are so low in Alberta right now. Heartland is projected to add $500 million in annual EBITDA to Inter's bottom line once it's completed in 2021.

Investors should expect somewhat tepid dividend growth going forward, as Inter Pipeline uses excess cash flow to pay for Heartland. But the stock currently yields 7.6%, which is still attractive without huge dividend growth. And with a payout ratio of approximately 60% of 2018's funds from operations, the distribution is rock solid.

Cineplex

Many investors are concerned about the movie theatre business, convinced all the streaming services are going to damage the industry forever.

Cineplex (TSX:CGX) has seen business get a little weaker, but the company is still doing fine. 2018's theatre attendance fell 1.6%, but that was more than offset by increasing both admission prices and concession revenue. Cineplex also saw growth in several of its non-theatre divisions, including The Rec Room. And the company has the rights to operate both The VOID and Top Golf concepts in Canada, both of which should provide long-term growth.

The company should also get a short-term boost from its second-quarter results, which featured *Avengers: Endgame*. The movie has already cemented its place as one of the most popular movies of all time. And the latest episode of the *Star Wars* saga is due out in December.

Cineplex generated $2.81 per share in adjusted free cash flow in 2018. 2019's payout — which has already been hiked this year — is $1.80 per share annually. That gives us a payout ratio of 64%.

Fiera Capital

Fiera Capital (TSX:FSZ) is an asset management firm with nearly $150 billion worth of assets under its umbrella. It's grown like a weed since 2011, too. It only had $29 billion in assets under management eight years ago.

The company has been a growth-by-acquisition story, as it gobbles up smaller wealth managers. Since 2016, the company has made 10 separate acquisitions and also created a couple of joint ventures. The investment management business is still quite fragmented, so this strategy can continue.

Institutional investors and private wealth management make up Fiera's two largest classes of customers, which means the company isn't facing the same risks as asset management firms who cater to retail investors. The big money is desperate for exposure to private markets, which Fiera specializes in.

Fiera has hiked its dividend each year since 2013, effectively doubling its distribution in that time. The current payout is $0.82 per share annually, which is good enough for a 7.6% yield. The yield is sound as well, with a payout ratio of approximately 75% of adjusted earnings.

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