



3 TSX Dividend Growth Stocks to Buy Now

Description

Hello, Fools! I'm back to highlight three top dividend growth stocks. As a quick reminder, I do this because businesses with consistently increasing dividend payouts can guard against the harmful effects of inflation by providing a [rising income stream](#) and tend to outperform the market averages over the long haul.

The three stocks below offer an [average dividend yield](#) of about 5.4%. So if you're looking to add a big chunk of growing income to your 2020 (that the CRA can't touch), this trio of stocks might be perfect for your TFSA.

Green monster

Leading off our list this week is financial services giant **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), which has grown its dividend by an impressive 50% over the past five years.

TD's massive scale (over 2,300 retail locations in North America), strong regulatory environment, and reliable capital returns (in the form of share repurchases and dividends) should continue to keep shareholders happy. In 2019, EPS increased to \$6.25 from \$6.01 as revenue improved to \$41.1 billion from \$38.9 billion.

More important, adjusted return on equity for the year clocked in at a solid 15.6%, suggesting that TD's competitive strength remains solid.

"Throughout the year, we generated earnings growth amidst a challenging macroeconomic environment while we made strategic investments to strengthen our business, deliver for our customers, and modernize and simplify our operations," said CEO Bharat Masrani.

TD shares currently offer a healthy dividend yield of 4.0% and trade at a cheapish forward P/E of 10.

Down the pipe

Next up, we have pipeline giant **Inter Pipeline** (TSX:IPL), whose dividend has grown at a steady clip of 25% over the past five years.

Inter Pipeline's reliable dividend growth continues to be supported by attractive oil sands assets, a diversified business model, and robust cash flows. In 2019, the company posted net income of \$539 million while funds from operations (FFO) — a key cash flow metric — clocked in at an impressive \$873 million.

More importantly, management doled out \$706 million in cash dividends at a payout ratio of 81%.

"Inter Pipeline's pipeline transportation businesses continued to generate solid financial results in 2019," said President and CEO Christian Bayle. "There was also a marked improvement in performance from our European storage business due to a number of new contract wins."

Inter Pipeline shares currently offer a juicy dividend yield of 7.9% and trade at a forward P/E in the low-20s.

High energy

Rounding out our list is midstream energy giant **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)), which has delivered dividend growth of 53% over the past five years.

TC Energy's consistent dividend continues to be underpinned by long-term contracts, massive scale (\$100 billion in total assets), and attractive long-term growth potential (advancing over \$20 billion worth of development projects).

In 2019, for example, the company's earnings improved to \$3.9 billion versus \$3.5 billion in the year-ago period.

More important, management raised its annual dividend 8% to \$3.24 per share.

"We are very pleased with the performance of our diversified portfolio of regulated and long-term contracted assets which generated record financial results again in 2019," said CEO Russ Girling.

"Despite significant asset sales that accelerated the strengthening of our balance sheet, comparable earnings per share increased seven per cent compared to 2018 while comparable funds generated from operations of \$7.1 billion were nine per cent higher.

TC Energy shares currently offer a dividend yield of 4.3%.

The bottom line

There you have it, Fools: three top dividend growth stocks for 2020.

As always, they aren't formal recommendations. They're simply a starting point for more research. The breaking of a dividend growth streak can be especially painful, so plenty of due diligence is still required.

Fool on.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. NYSE:TRP (Tc Energy)
3. TSX:TD (The Toronto-Dominion Bank)
4. TSX:TRP (TC Energy Corporation)

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