Top TSX Stocks: Should You Buy Long Dividend Growth Streak Stocks?

Description

It makes sense to go defensive and focus on dividend growth in the current volatile market scenario. After all, a fair yield and a guaranteed regular income for years will be my top priority. Some of the top **TSX** stocks have achieved such a feat and have increased dividends for more than 20, 30, or even more than 40 years.

Looking at where we're heading, it would be prudent to shield your portfolio and avoid a big dent on your savings. Canadian stocks with the longest dividend growth streaks are **Canadian Utilities** (TSX:CU), **Fortis** (TSX:FTS)(NYSE:FTS), and **Toromont Industries** (TSX:TIH). Notably, they stayed relatively firm and increased dividends in the last financial crisis as well.

Canadian Utilities

Canadian Utilities is a top regulated utility stock that currently offers a tasty dividend yield of 5.6%. Its stable revenues and earnings facilitate steady dividends. Also, CU's long dividend payment history of 48 years indicates earnings visibility and predictability.

Notably, there is a high probability that the company will continue to pay regular dividends in the future, mainly because of its regulated utility operations. Utilities generally have a low correlation to economic cycles. Thus, even if a recession hits, Canadian Utilities could continue to generate stable earnings, which will likely enable investors' dividend payments.

Canadian Utilities managed to increase its dividends by almost 10% compounded annually in the last five years. Even if it doesn't maintain this steep dividend growth rate, it will likely remain reasonable in the long term.

One of the top TSX stocks Canadian Utilities has come down more than 30% since last month. I think the recent fall is an attractive buying opportunity for long-term investors. Its long dividend payment history, along with a solid yield, makes it stand tall among peers.

Top TSX stocks: Fortis

At $23 billion, Fortis is one of the biggest utility stocks in Canada by market capitalization. It has increased dividends for the last 47 consecutive years and yields 3.8% at the moment.

Fortis stock fell around 21% since the market rout started on coronavirus outbreak last month. In comparison, the **S&P/TSX Composite Index** has tumbled approximately 32% in this period.

The outperformance in this duration could be an indication that investors are turning to safe haven utility stocks such as Fortis amid the volatile markets. Utilities are perceived as relatively safe due to their stable dividends and slow stock movements.

Top TSX stock Fortis increased its dividends by 7% compounded annually in the last five years, and management intends to continue a similar trend for dividend growth in the next few years.

Fortis's large-scale operations and non-cyclical business make it an attractive investment proposition, particularly ahead of a volatile period.

Both these defensive stocks mentioned above could be handsome picks for the long term. But Canadian Utilities stock seems to have an edge. It is currently offering a much higher yield and is trading at a relatively cheaper valuation against Fortis.

Toromont Industries

Toromont Industries announced its 31st consecutive yearly dividend increase last month. The heavy equipment supplier Toromont stock has fallen almost 25% since last month. It is trading at a yield of 2% at the moment.

Even though Toromont yields relatively low, its dividend growth was particularly notable. In the last five years, the company increased its dividends by more than 12% compounded annually.

Toromont has been reporting solid revenue and bottom line growth in the last few years. Its net income averaged around 23% in the last three years. Analysts expect solid earnings growth to continue this year as well.

Toromont's long dividend payment history is indeed remarkable. However, the recent troubles by the virus pandemic could hurt its bottom line in the near future.

Industrials and equipment will likely be relatively slower areas of recovery when the virus fears fade. While it does appear to have hurt its dividends, TIH stock could continue to trade weak in the short to intermediate period.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:FTS (Fortis Inc.)
4. TSX:TIH (Toromont Industries Ltd.)

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