2 Dividend Aristocrats to Buy and Hold for the Next Decade

Description

In a volatile market, investors would like to have a passive stream of recurring income. While bond yields are trading near record lows, they are no longer attractive to income investors. A dividend growth strategy seems an ideal option with stocks losing significant market value in the last two months, driving dividend yields of several stocks higher.

Here we look at two such Canadian companies that are part of the **iShares S&P/TSX Canadian Dividend Aristocrats Index ETF**. This ETF has a diversified exposure to high-quality Canadian companies that have increased dividends in the last five years.

A renewables energy giant

Shares of **TransAlta Renewables** (TSX:RNW) are trading at $13.86, which is 24% below its 52-week high. This pullback has increased the stock's forward yield to a tasty 6.8%. The company has a diversified asset base, with wind energy generating 51% of cash flows, followed by natural gas, hydro, and solar at 43%, 4%, and 2%, respectively.

It has 44 facilities across multiple regions with a weighted average contract life of 11 years. TransAlta is the largest generator of wind power in Canada and has one of the largest wind portfolios in North America.

TransAlta has a strong balance sheet with a low net debt to EBITDA multiple of 2.2. It focuses on making strategic use of low cost project debt and has invested $3 billion to acquire companies since its IPO in 2013.

TransAlta has increased its cash available for distribution from $82 million in 2014 to $293 million in 2019. This has been estimated between $300 million and $330 million in 2020. TransAlta is part of a recession-proof industry, which means its regulated business will continue to generate cash flows making a dividend cut unlikely.

TransAlta went public back in 2013 and paid dividends of $0.75 per share. Its dividend per share currently stands at $0.94. The stock accounts for 2.45% of the CDZ and is the top holding of this ETF.

Innergex Renewables Energy

Another utility company that can hold its own in a downturn in **Innergex Renewables Energy** (TSX:INE). Here's what makes the company a dependable bet in the current market environment.

- Its operations are considered an essential service by the government entities
- It has no near-term debt maturities before 2023
- Over 95% of revenues are contracted with government-owned or government-backed utilities with high credit ratings and large investment-grade rated corporations.

Similar to TransAlta, Innergex also has a diversified portfolio where it develops, acquires, manages and owns hydroelectric facilities, wind farms and solar farms in Canada, U.S, France and Chile. INE has 68 operating facilities with a net installed capacity of 2,588 megawatts.

INE stock is currently trading at $17.93, which is 20% below its 52-week high with has a forward yield of 4%. The $3.2 billion company has been a top performer among TSX stocks in 2019. It has returned 25% in the last year compared to the 14% fall in the **S&P 500 Index**.

An investment of $5,000 each in these two stocks will result in annual dividend payments of $540.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:INE (Innergex Renewable Energy)
2. TSX:RNW (TransAlta Renewables)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/24
Date Created
2020/04/06
Author

araghunath