2 Dividend Stocks to Buy as Uncertainty Looms Large

Description

The global equity markets have roared back strongly, recouping majority of the losses from the lows in March. But what will happen next? Will the equity markets continue to rise or take a downturn? The COVID-19 pandemic has left investors confused and added a high degree of uncertainty from an economic standpoint.

An uncertain market indicates that volatility is likely to remain high. However, it doesn't imply that investors should refrain from investing in the equities. What you need is some quality stocks with a respectable dividend yield to ride out the volatility in your portfolio. Moreover, regardless of the economic state, these companies should be able to sustain their payout ratio.

To eliminate the guesswork, I have shortlisted two stocks that remain well positioned to continue to reward their shareholders with steady cash payouts irrespective of economic cycles.

Canadian Utilities

Canadian Utilities (TSX:CU) is an ideal stock for income-seeking investors. Canadian Utilities is a Dividend Aristocrat and has the longest history of consistently paying increased dividends to its shareholders. To be precise, Canadian Utilities has raised its dividends for the past 48 years.

Canadian Utilities remains resilient to the economic cycles thanks to the regulated and contracted nature of its earnings. Investors should note that about 95% of the company's adjusted earnings in 2019 came from the regulated utility business. The high percentage of regulated earnings is an encouraging sign. It is essential for future payouts, as the company's dividends tend to grow in line with the increase in sustainable earnings. The regulated business ensures stable earnings growth and, in turn, higher cash payouts.

The company's continued investments in the regulated and long-term contracted assets will continue to provide the foundation for consistent dividend growth. Moreover, rate base growth and cost efficiencies should further support future profits.

Canadian Utilities stock currently offers a lucrative dividend yield of 5.3%. The company's highly predictable cash flows and reliable payouts make it a solid investment choice.

Telus

Telecom giant **Telus** (TSX:T)(NYSE:TU) is known for its stellar dividend payments. Since 2004, Telus has paid about $13 billion in the form of dividends to its shareholders. Moreover, it announced a multi-year dividend-growth program, under which it targets a semi-annual dividend increase. Through the multi-year dividend-growth program, the company aims to increase its annual dividends by 7-10%.

The challenges stemming from COVID-19 outbreak has led management to defer any dividend hike until the release of its third-quarter results. However, the company's strong free cash flow generating capabilities position it well to sustain the current dividend payment.

Despite disruptions from the COVID-19 pandemic, Telus delivered stellar financial results in the first quarter. The company's net client additions went up, while mobile churn rate came down. Moreover, it generated strong free cash flows, which was over three times higher than the prior-year quarter.

Telus remains focused on driving free cash flows through its margin accretion initiatives and cost reductions. Strong free cash flow growth will ensure steady cash payouts in the future. Telus stock currently offers an attractive dividend yield of 5.1%.

CATEGORY

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TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:T (TELUS)

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