# Investing Amid COVID-19: Rely on These 2 TSX Dividend Aristocrats

### Description

Amidst the COVID-19 pandemic, investing in companies that have raised their dividends consistently over the past several years should be your mantra. However, not all TSX Dividend Aristocrats are worth investing in. Investors should focus on companies with low-risk business models and that can generate ample cash flows to defend and grow their dividends in the future.

Two such TSX stocks that come to my mind are **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) and **Canadian Utilities** (TSX:CU), and here's why.



## Pembina Pipeline

Pembina Pipeline stock is my top dividend pick, thanks to its diversified revenue streams and highly contracted business. The company's forward dividend yield stands high at 6.8%. However, investors should note that despite the high yield, Pembina's dividends are pretty safe.

Pembina's diversified revenue base not only reduces volume risk but also increases its exposure to the other commodities and credit-worthy counter-parties. The company's underlying business remains strong, thanks to the fee-based, long-term contracts. Further, about 70% of these contracts don't have the price or volume risk.

The pipeline company's strategic acquisitions and continued business re-investments have helped it in transforming into a highly contracted business that generates resilient cash flows. Further, Pembina's payouts are covered by fee-based cash flows that do not have direct commodity exposure, thus eliminating the risk of a future dividend cut. Last year, about 73% of its fee-based distributable cash flows covered all of its common share dividend payments, which is an encouraging sign.

Pembina paid about $4.5 billion in the form of dividends over the last five years. Moreover, its dividends have increased by 6.5% annually during the same period. Pembina's low-risk and highly contracted business model and stable, fee-based cash flows should continue to support its future dividends.

# Canadian Utilities

If dividend investing is your strategy, then Canadian Utilities stock needs no introduction. For those who are new to the dividend investing, Canadian Utilities is another stock, besides Pembina, that is a must-have in your portfolio. Canadian Utilities has the longest-running history of consistently increasing its dividends. To be exact, the utility company has increased its dividends for 48 years in a row , which is commendable.

The company's consistent dividends are backed by its recession-proof business and predictable cash flows. Canadian Utilities generates about 95% of its earnings from the rate-regulated utility business, which implies its future payouts are safe. Besides, the long-term contracted assets account for the rest of the 5% of its earnings.

Investors should note that its investments in the rate-regulated utility business and long-term contracted energy and infrastructure assets provide a strong foundation for consistent dividend growth in the future. Moreover, its capital investments, an increase in utility rate base, and cost efficiencies should continue to drive earnings, in turn, its cash flows.

Investors should keep an eye on the company's sustainable earnings growth, which is an indicator of its future payouts. Canadian Utilities expects its rate base to continue to grow at about 3% annually over the next three years, which should continue to drive its sustainable earnings and dividends.



**CATEGORY**

1. Coronavirus
2. Dividend Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:PPL (Pembina Pipeline Corporation)

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