



TFSA Investors: Here Are 3 Dividend Stocks for Your Portfolio

Description

It's no secret that companies have taken drastic steps to navigate through the COVID-19 pandemic. No one was prepared for the brutality that would be unleashed by the virus, and consequently, the measures taken by companies have also been drastic.

Production has halted, employees have been furloughed or laid off, and dividends have been cut. And what do you do when companies that have been Dividend Aristocrats slash or stop their dividend payments? Well, you just need to look at the company financials and balance sheet strength to analyze if they can survive this pandemic.

I'll look at three Dividend Aristocrats that have slashed or stopped their dividend payments and why they are good buys, even after this move. The three stocks can be part of your TFSA (Tax-Free Savings Account) portfolio, as they have the potential to outperform the broader markets in a turnaround.

A pipeline company

Inter Pipeline (TSX:IPL) used to have an annual dividend of \$1.71. Its latest dividend payout of \$0.12 per share for the last quarter reduces the annual payout to \$0.48. That's a cut of over 70%. However, given the current situation of oil, the cut is not surprising at all. The stock has fallen from \$21.82 in February to \$12.64 today — over 40% down.

IPL's \$4 billion Heartland Petrochemical plant has caused the company to carry heavy debt, and if the company wants to service its debt and meet all obligations, the cut was essential. However, this plant will also generate an additional \$400 million in annual EBITDA for the firm.

The road back to growth is going to be tough for Inter Pipeline, but I believe the company will come out strong. Its pipeline network provides a recurring revenue stream, while its NGL business continues to be impressive. In the most [recent quarter](#), IPL's funds from operations stood at \$208 million, while its oil sands transportation business reported a 5% increase in FFO.

As oil prices recover and Inter's cash positions improve, expect a significant upside in the stock.

A transport giant on the TSX

NFI Group ([TSX:NFI](#)) manufactures transit buses and motor coaches in Canada. With the onset of the pandemic, public travel ground to a halt, as did the majority of manufacturing NFI plants. When no one wants to travel, what's the point of manufacturing, right?

The company cut its dividend by 50%. In fact, NFI was one of the first Canadian companies to cut its dividend before others followed suit. As the economy gradually opens up, and people start using public transport again, NFI will get its manufacturing units up and running. It should be a matter of time before its dividend goes back to pre-COVID levels.

A defensive stock for your TFSA

Loblaw ([TSX:L](#)) is one of Canada's top grocers, and it has increased its dividend payout for eight consecutive years. This quarter, the company didn't announce a dividend increase.

CFO Darren Myers said, "We just didn't announce one this quarter, just in light of the current environment. We just didn't think now is the right time to announce that, but something we'll continue to look at." The company has also paused its share buyback for now.

This is after Loblaw reported that its revenues grew by 10.7% for [the first quarter of 2020](#), adjusted EBITDA was up 12.4%, and adjusted net earnings increased by 21.4%. The last two weeks of the first quarter saw an unprecedented increase in the sales of essential goods at Loblaw, as did the company's pharmacy sales.

Loblaw said, "COVID-19 generated an incremental \$751 million in revenue in the quarter." Of course, Loblaw has also incurred additional costs in terms of a temporary increase in wages and sanitation costs.

When a company pauses its dividend increase and share buyback during such good times, you know that it is erring on the side of caution. It is building up its cash reserves because of future uncertainty. This is a very good move that Loblaw has pulled off. Loblaw is a strong buy, in my book.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:NFI (NFI Group)

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