
# 2 TSX Dividend Stocks to Strengthen Your Portfolio

## Description

After bottoming out in March, the global financial markets have made a V-shaped recovery. However, weak economic indicators, such as the high unemployment rate and the expectations of Canadian gross domestic product to contract this year, could prove to be a headwind for the markets going forward.



Thus, amid the uncertainty, it is better to go defensive and buy high-yielding dividend stocks with a strong balance sheet. Here are the two companies which could not only protect your portfolio from volatility, but also offer stable dividends.

## BCE

My first pick is **BCE** (TSX:BCE)(NYSE:BCE), a telecommunication company currently trading over 5% lower for this year. In its recently reported second-quarter earnings, the company's revenue declined by 9.1%, while its adjusted EPS fell above 32%. The decline in economic activities and customer demand amid the pandemic had dragged the company's financials down.

However, the company witnessed a growth in its postpaid wireless and retail internet connections and also its legacy services, such as residential home phone. Despite the impact of the pandemic, its free cash flows increased by 49.7% to $1.61 billion. At the end of the second quarter, the company's liquidity stood at $5.4 billion. So, the company's liquidity looks strong.

On August 5, the company's board announced quarterly dividends of $0.8325 per share. So, the company's forward dividend yield stands at 5.8%. The company has rewarded its shareholders by raising dividends at a compound annual growth rate (CAGR) of 6.4% since 2015.

With an increased number of employees continue to work from their homes, the demand for BCE's services could rise. Also, in June, the company launched its 5G network in five markets and is looking to expand its service across the country, which provides immense growth potential. So, given its strong growth prospects and healthy liquidity position, I believe BCE would continue to raise its dividends in the future.

## TransAlta Renewables

My second pick is **TransAlta Renewables** (TSX:RNW), which operates renewable power generating facilities. It sells the power generated from these facilities through long-term PPAs (power purchase agreements), thus providing stable and predictable cash flows. So far, the company has delivered 2.4% returns for this year.

Despite the impact of the pandemic, the company's adjusted EBITDA increased by $4 million in its recently completed second quarter. Its cash flows from operating activities also rose $19 million. At the end of the second quarter, the company's liquidity stood at $498 million. So, the company's balance sheet looks stable.

The company pays monthly dividends of $0.07833, which translates to an annualized payout of $0.94 per share. Currently, its dividend yield stands at a healthy 5.9%.



With the threat of the pandemic looming large, many companies have withdrawn their guidance. However, TransAlta Renewables's management has reiterated its guidance for this year. It expects the company to report an adjusted EBITDA of $445 million-$475 million this year compared to $438 million in 2019.

Further, the company's weighted average remaining contractual life of its power purchase agreements is 11 years. Also, the world is switching to renewable resources to reduce air pollution.

TransAlta Renewables, being an early mover in this sector, could benefit from this switch. So, given its strong growth prospects and high dividend yield, TransAlta Renewables is a good buy at these levels.

**CATEGORY**

1. Energy Stocks

**TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:RNW (TransAlta Renewables)

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Sharewise
6. Yahoo CA

**Category**

1. Energy Stocks

**Date**
2025/09/10
**Date Created**
2020/08/31
**Author**
rnanjapla