3 Dividend Aristocrat Stocks That Haven't Cut Dividends in the Pandemic

Description

Even though Canadian Dividend Aristocrats don't have the history and track record that U.S. aristocrats have, since the qualification for becoming an aristocrat is not as stringent here, they still command more respect and trust from investors than regular dividend stocks. And this trust isn't just sentimental but pragmatic as well.

Once a company is counted among the aristocrats, it strives to maintain its dividend-growth streak, because it's one of the best ways to attract loyal and long-term investors. But there are times when businesses find it hard to maintain, let alone increase their dividends. This year, for example, has been devastating for the airline, energy, retail, and a few other industries. And many companies in these industries have slashed their dividends, including a few aristocrats.

Many Dividend Aristocrats have weathered the pandemic with most of their strength and dividends intact.

A banking stock

National Bank of Canada (TSX:NA), a stock that many investors love for the growth potential (and that has been outshining the Big Five for the past five years), is also one of the aristocrats that didn't slash its dividends. Currently, the bank offers a decent yield of 4%, which isn't very glamorous compared to the other banks. But National Bank's recovery and growth are powerful enough to make up for the relatively lower yield.

The bank has increased its share price by 83% since the crash in March. The Big Five don't even come close to this recovery pace. The third-quarter results are also encouraging. The net income only dropped $6 million compared to the third quarter last year, and total quarterly revenues actually increased. Its payout ratio is also very stable at 46.4%.

A telecom company

BCE (TSX:BCE)(NYSE:BCE) has been an aristocrat for 11 years. The company kept up its dividends, despite suffering a $535 million loss from operating revenues (compared to last year's second quarter). The company managed to grow its free cash flow. The dividends themselves entered dangerous territory (payout ratio: 119.5%), but the company stated its commitment to sustain dividends for the foreseeable future.

This aristocrat offers a very juicy yield of 5.79% right now. The stock is currently underpriced and trading at 11.75% down from its pre-pandemic highs.

An energy aristocrat

The way the energy sector suffered in the pandemic, it's remarkable that relatively few aristocrats slashed their dividends. One of them is **Emera** (TSX:EMA). The 13-year-old aristocrat is currently trading at a 10% discount and offering a juicy yield of 4.52%. The payout ratio is stable enough (72%). The company's balance sheet is strong enough.

Despite net income dropping substantially, the company didn't slash its dividends. Its strength can be attributed to its utility business and 2.5 million customers in the U.S., Canada, and the Caribbean. And even though it's not substantial, the dividend-adjusted five-year CAGR of Emera is at 9.37%.

Foolish takeaway

Market crashes, corrections, and recessions are where investors get to test the strength of securities in their portfolios. No matter how justified a company is in slashing its dividends, the decision negatively impacts investor morale, and, of course, their dividend income, in an already challenging financial time. In contrast, aristocrats that keep up their dividends in such times earn investor loyalty.

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