3 Dividend Stocks to Buy and Hold Forever

Description

Below are three dividend stocks to buy and hold forever. They're all trading at good valuations. Therefore, if you have lots of cash on the side and want to start generating passive income, you can consider picking up some shares. Among the three, I find **TC Energy** (TSX:TRP)(NYSE:TRP) stock to be the most attractive today.

Fortis stock

After buying **Fortis** (TSX:FTS)(NYSE:FTS) stock at a reasonable valuation, investors can pretty much hold their shares forever. The stable dividend stock is unlikely to give you any surprises.

Rain or shine, Fortis stock has increased its dividend for 46 consecutive years. That will remain unchanged, as the regulated utility's earnings are highly predictable, and its payout ratio is estimated to be 73% this year, which is reasonable for a utility of Fortis's quality.

At about $52 per share at writing, the stock trades at about 20 times this year's estimated earnings, which isn't particularly expensive. However, if it retreats to $48 per share or lower by the end of the year, it'll *really* start getting attractive.

Analysts have an average 12-month price target of $59.80 on the stock, which represents a decent 15% near-term upside potential. Let's not forget that Fortis stock also provides a robust yield of close to 3.7%. Its dividend is set to increase real soon by about 6% by October, implying a forward yield of nearly 3.9%.

Open Text stock

The advent of the internet has led to an explosion of digital data. Analyzing and gaining insights from this data haven't been more critical for enterprises. **Open Text** (TSX:OTEX)(NASDAQ:OTEX) provides the solutions to do so.

Open Text's profits are highly predictable. It generates 78% of annual recurring revenue, while it sees further room to increase the percentage to approximately 81% in the next fiscal year. Importantly, management also aims to expand its margins. Its adjusted EBITDA margin was 36.9% in fiscal 2020, and it can expand it to about 39% in about three years.

Open Text is set for above-average growth among **TSX** stocks with its cloud revenue, recurring revenue, and M&A strategy. It has increased its dividend for seven years straight with a five-year dividend-growth rate of 15%. A low payout ratio and growing earnings allow it to continue growing its dividend at a good pace.

At about $57 per share at writing, the tech stock is reasonably valued with a 1.6% yield. Analysts' average 12-month price target of the stock represents compelling 18% near-term upside potential in a proven stock.

TC Energy stock

TC Energy stock is another Canadian Dividend Aristocrat you can trust to get safe passive income. Its business performance has been resilient amid lower energy demand and COVID-19's far and wide impacts to the economy.

In the first half of the year (H1), its revenues only declined 5%, comparable EBITDA marginally increased, and it raised its dividend by 8% against H1 2019. The earnings from its natural gas pipeline businesses and cost reductions have more than offset the earnings declines in its other segments.

TC Energy has increased its dividends for 19 years straight with a five-year dividend-growth rate of 9%. The stock is experiencing a dip, which is giving income-focused investors another chance to buy shares for a starting yield of close to 5.5%.

At $59.50 per share at writing, the dividend stock is undervalued with 12-month upside potential of 22%!

CATEGORY

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TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:FTS (Fortis Inc.)
5. TSX:OTEX (Open Text Corporation)
6. TSX:TRP (TC Energy Corporation)

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