



## 3 Safe Dividend Stocks Worth Adding to Your Portfolio Right Now

### Description

The **S&P/TSX Composite Index** is up over 9% for this month. The optimism over the progress in vaccine development and the victory of President-Elect Joe Biden in the United States presidential election drove the Canadian markets higher. However, the rising COVID-19 cases worldwide and the uncertainty over the pandemic's impact on the global economy are a cause of concern. So, investors could buy these three safe dividend stocks with higher dividend yields amid the uncertain outlook and lower interest rates.

### TC Energy

**TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) generates 95% of its adjusted EBITDA from rate-regulated assets and long-term contracts, which protects its financials from short-term commodity price and throughput volume fluctuations. The company operates over \$100 billion of assets.

The strong cash flows have allowed the company to increase its dividends for 20 consecutive years. In February, TC Energy's board had raised its dividends by 8% to an annualized payout rate of \$3.24 per share. Its dividend yield currently stands at 5.8%.

Meanwhile, the company is continuing with its 37 billion secured growth projects, with around \$3 billion worth of projects put into service in the first three quarters of this year. Once all these projects become operational, the company could generate 98% of its adjusted EBITDA from rate-regulated assets. Amid the increased cash flows from these assets, the management hopes to raise its dividends by 8-10% next year and 5-7% from 2022 onwards.

With high dividend yield and oil prices improving amid the expectation of businesses and life returning to pre-pandemic ways, [TC Energy would be a good buy right now](#).

### Algonquin Power & Utilities

My second pick would be a diversified utility company, **Algonquin Power & Utilities** ([TSX:AQN](#)) ([NYSE:AQN](#))

), which provides electricity, natural gas, and water to over one million connections and generates two gigawatts of energy from renewable resources, such as wind, solar, and water. Meanwhile, the company is constructing additional capacity to increase its power production by 1.4 gigawatts. The company sells power through long-term contracts.

Its strong utility asset base and long-term contracts deliver high-quality earnings and predictable cash flows, thus insulating its stock price from the market volatilities. The company has returned close to 10% this year, comfortably outperforming the broader equity markets.

Meanwhile, Algonquin Power & Utilities is a Canadian Dividend Aristocrat, which has increased its dividends for the last 10 years uninterrupted. Its dividend yield currently stands at 4%. Meanwhile, the company's payout rate stands at 72%. So, the company still has room to hike its dividends. Management hopes to raise its dividends by 7% annually over the next few years.

## TransAlta Renewables

**TransAlta Renewables** ([TSX:RNW](#)) generates 2,537 megawatts of power from 44 power-generating facilities that it owns or has an economic interest in them. The company sells the power generated from these assets through long-term PPAs (power purchase agreements), which insulates its financials from short-term volatilities. Despite the challenging period, its adjusted EBITDA rose 12% in its recently announced [third quarter](#), while its adjusted funds from operations increased by 10%.

These strong cash flows have allowed TransAlta Renewables to pay dividends every month. It has increased its dividends at a CAGR of 4% since its Initial Public Offering (IPO) in 2013. Its dividend yield currently stands at 5.4%. Meanwhile, Its weighted average contract life of its PPAs stands at 11 years. It also has access to the liquidity of \$507 million. So, given its healthy liquidity position, stable cash flows, and long-term PPAs, its dividends are safe.

So, given its recession-proof business model and the victory of Joe Biden, a strong proponent of clean energy, I am bullish on TransAlta Renewables.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:TRP (Tc Energy)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:RNW (TransAlta Renewables)
5. TSX:TRP (TC Energy Corporation)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

**Category**

1. Dividend Stocks
2. Energy Stocks

**Date**

2025/08/19

**Date Created**

2020/11/23

**Author**

rmanjapla

default watermark

default watermark