



2 Dividend Aristocrats to Buy in December

Description

Investors should supplement themselves with passive income amid an uncertain outlook due to the rising COVID-19 cases and weak economic indicators. With interest rates at a historical low, the yield on debt instruments has become unattractive. So, investors can earn stable passive income by buying safe and high-yielding dividend stocks.

Meanwhile, the pandemic has weakened some companies' financial positions that are now looking at conserving their cash by slashing their dividends. However, the following two Dividend Aristocrats continue to support their shareholders by continuously raising their dividends over the past several years, representing a strong underlying business and stable cash flows.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is an energy infrastructure company that owns and operates high-quality assets worth approximately \$100 billion. It runs a highly regulated business with 95% of its adjusted EBITDA generated from rate-regulated or long-term contracts, thus shielding its financials from commodity volume and price fluctuations.

Despite the challenging environment, TC Energy generated \$1.8 billion of net cash from its operations in the recently announced third quarter. At the end of the quarter, it had liquidity of over \$11 billion.

Further, the company is going ahead with its \$37 billion secured capital program, with \$3.1 billion worth of projects already put into service in the first three quarters of this year. Once these projects become operational, the company would generate 98% of its adjusted EBITDA from rate-regulated projects. Given its healthy growth prospects, stable cash flows, and strong liquidity position, I believe TC Energy's dividends are safe.

This year, the TC Energy board has raised its quarterly dividends by 8% to \$0.81 per share at an annualized payout of \$3.24. The company's dividend yield currently stands at a healthy 5.6%. Meanwhile, the company has raised its dividends for the previous 20 years at a CAGR of 7%. The management also expects to increase its dividends by 8-10% in 2021 and 5-7% from there onwards.

So, I believe TC Energy would be an excellent buy for income-seeking investors.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) runs a diversified utility business serving over one million connections across the United States and Canada. It has also installed wind, solar, and hydroelectric power-generating facilities with a capacity of 2 gigawatts, while the facilities to generate 1.6 gigawatts more of power are still in the construction phase.

The company sells 85% of its energy generated from these facilities through long-term contracts, with its weighted average remaining contract life standing at around 13 years. So, its earnings and cash flows are mostly stable. Despite the challenging environment, Algonquin Power & Utilities's adjusted EBITDA increased by 6% in its September ending quarter, while its adjusted funds from operations rose by 23%.

During the quarter, the company generated \$121.4 million of cash from its operating activities. As of September 30, it had access to \$3.34 billion of liquidity. So, given its recession-proof business model and healthy liquidity position, the company's dividends are safe.

In May, Algonquin Power & Utilities's board had raised its quarterly dividends by 10% to \$0.2019 per share. Currently, its dividend yield sits at 3.9%. Its payout rate for the last 12 months stands at 72%. So, the company still has room to increase its dividends.

Given its investments in regulated opportunities, expanding its renewable power business, and strategic acquisitions, the company is well positioned to raise its dividends consistently over the coming years. Further, the company's stock has outperformed the broader equity market this year by delivering over 12% returns.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:TRP (Tc Energy)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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