Income Investors: 3 Top Dividend Stocks to Buy for 2021

Description

When it comes to investing in the stock market, dividend-paying companies should always remain on the radars of investors. Companies that pay dividends generally have a predictable and steady stream of cash flows. Investors can benefit from regular dividend income as well as capital appreciation over the long term.

We'll look at three Canadian dividend stocks that you should buy for 2021.

Enbridge

Shares of Canada's energy heavyweight **Enbridge** (TSX:ENB)(NYSE:ENB) have underperformed the broader markets in the last year. Enbridge stock is still trading 25% below its 52-week high, as investors were wary about falling crude oil prices.

However, Enbridge has a diversified base of cash-generating assets and a contractual based business model. The company derives a significant portion of its cash flows from long-term contracts, making it relatively immune to commodity prices.

Its focus on expansion suggests the energy giant is still pumping in billions of dollars in capital expenditures, which will generate future cash flows and help Enbridge increase dividend payouts as well.

Enbridge has a forward yield of 8%, and the company has increased dividend payments at an annual rate of 11% between 1995 and 2020. If you invest $10,000 in Enbridge stock, you can derive $800 annually from dividend payouts.

Enbridge has a payout ratio of less than 70%, which has helped the company maintain its high yield in a volatile environment.

Brookfield Renewable Partners

Another solid dividend stock is **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP). In the last two decades, the company has increased dividends at a compound annual rate of 6%, allowing it to generate annual returns of 19% in this period. Brookfield Renewable is a hydroelectricity producing giant and is well poised to keep increasing dividends in 2021 and beyond.

The company expects rising power rates, cost-cutting initiatives, and renewable energy development projects to allow it to grow its cash flow per share between 6% and 11% until 2025. It also forecasts acquisitions to add between 4% and 5% to its earnings growth each year.

While Brookfield Renewable's forward yield is 2.5%, it can easily grow dividends between 5% and 9% annually in the near term. BEP is one of the world leaders in the renewable power space with assets across North and South America, Asia, and Europe.

It has a diverse portfolio of cash-generating assets in hydro, wind, and solar energy with a cumulative capacity of 19,400 MW.

Capital Power

The final stock on the list is **Capital Power** (TSX:CPX), a company with a forward yield of 5.8%. Capital Power owns, acquires, and operates power-generation facilities in Canada and the United States. It owns around 6,500 MW of power generation capacity in 28 facilities.

In the last seven years, Capital Power has increased dividends at an annual rate of 7%. Further, the power producer is currently trading at a forward EV/EBITDA multiple of 8.4, which indicates a 30% discount compared to the average peer group ratio of 12.3.

The company's contracted assets and focus on capacity expansion should translate into higher growth in dividends over the long term.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:CPX (Capital Power Corporation)
5. TSX:ENB (Enbridge Inc.)

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