



3 Safe Canadian Dividend Stocks to Buy Amid Fears of a Stock Market Crash

Description

The upward momentum in the Canadian equity markets has continued in 2021, with the **S&P/TSX Composite Index** rising by 2.7% so far. However, the rising COVID-19 cases, frothy valuations, and slowdown in the economic recovery could lead to a sharp pullback in the equity markets.

Amid the uncertain outlook, investors could buy safe dividend stocks to strengthen their portfolios, as dividend stocks tend to outperform non-dividend-paying stocks during a downturn. So, here are the three safe Canadian dividend stocks you could buy right now.

TransAlta Renewables

I have selected **TransAlta Renewables** ([TSX:RNW](#)), which operates renewable power generation facilities, as my first pick. It operates or holds an economic interest in 44 power generating facilities, which together can produce 2.5 gigawatts of power. Meanwhile, the company sells the energy produced from these facilities through long-term power purchase agreements, protecting its financials from price and volume fluctuations.

Meanwhile, TransAlta Renewables [acquired](#) three assets from TransAlta Corporation last month for \$359 million, increasing its power production capacity by 303 megawatts. The company has also planned to invest \$890 million to \$960 million on secure growth projects over the next couple of years, which could drive its financials in the coming years.

Given its stable cash flows due to its long-term power purchase agreement and healthy liquidity of \$507 million, I believe TransAlta Renewables' dividends are safe. Since its listing in 2013, the company has raised its dividends at a CAGR of 4%. The company currently pays monthly dividends of \$0.07833, which represents a dividend yield of 4.3%.

TC Energy

My second pick would be an energy midstream company, **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)), which

runs a highly regulated business. It earns 95% of its adjusted EBITDA from rate-regulated assets or long-term contracts, thus shielding its financials from price and volume fluctuations.

Further, the company is continuing with its \$37 billion secured capital projects by putting around \$3 billion worth of projects into service in the first three quarters of 2020. Meanwhile, these projects are supported by long-term take-or-pay contracts, which could boost its earnings and cash flows in the coming years. As well, higher oil demand amid increased economic activities could improve its liquid pipeline throughput, thus driving its financials in the coming quarters.

Besides, TC Energy has raised its dividends for 20 consecutive years at an annualized rate of 7%. The company currently pays quarterly dividends of \$0.81 per share, representing a dividend yield of 5.7%. Meanwhile, the company's management expects to raise its dividends by 8-10% in 2021 and 5-7% after that. So, given its stable cash flows, health liquidity, and high growth prospects, [I believe TC Energy would be a good buy for income seeking-investors.](#)

Fortis

My third pick would be an electric and gas utility company, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), which services around 3.3 million customers. Thanks to its highly defensive portfolio of 10 different utility businesses, the company generates 99% of its adjusted earnings from regulated assets, thus providing stability to its financials and cash flows. These stable cash flows have allowed the company to raise its dividends for the last 47 consecutive years. Currently, the company pays quarterly dividends of \$0.505, representing a dividend yield of 3.9%.

Meanwhile, Fortis has planned to invest \$19.6 billion over the next five years, which would increase its rate base by \$10 billion to \$40.3 billion at an annualized growth rate of 6%. With these investments expected to boost its cash flows, the company hopes to raise its dividends at a CAGR of 6% during the same period.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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1. NYSE:FTS (Fortis Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:FTS (Fortis Inc.)
4. TSX:RNW (TransAlta Renewables)
5. TSX:TRP (TC Energy Corporation)

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