3 Dividend Aristocrats to Buy Amid an Uncertain Outlook

Description

After hitting an all-time high earlier this month, the **S&P/TSX Composite Index** has corrected around 3.5% due to concerns over increased speculative trading activities, rising COVID-19 cases, and weakening global economic outlook. So, amid the uncertain outlook, you can strengthen your portfolio with these three Dividend Aristocrats, which have strong underlying business with stable cash flows. Also, dividend-paying stocks tend to outperform during a downturn.

Canadian Utilities

Canadian Utilities (TSX:CU) is an energy infrastructure company that operates power generation facilities and utility businesses serving around 2 million customers. The company earns 95% of its adjusted earnings from regulated assets. Further, it also operates six power generating facilities, which can generate around 247 megawatts of power. Meanwhile, 89% of the power generated from these facilities is sold through long-term contracts, thus delivering stable earnings and cash flows.

Supported by these stable cash flows, Canadian Utilities has raised its dividends for 48 consecutive years. Currently, the company pays quarterly dividends of $0.4354 per share at an annualized payout rate of $1.74 per share and a dividend yield of 5.4%.

Meanwhile, the company has planned to invest $3.4 billion in regulated assets, and long-term contracted businesses from 2020 to 2022, which could drive the company's financials in the coming years. It also completed the acquisition of Pioneer Natural Gas Pipeline for $255 million last September. Given its healthy growth prospects and strong liquidity of $3.2 billion, it could continue raising its dividends. So, I believe Canadian Utilities could be an excellent buy for an income-seeking investor.

Canadian National Railways

On Tuesday, **Canadian National Railway** (TSX:CNR)(NYSE:CNI) reported its fourth-quarter earnings. The company's revenue increased by 2% for the quarter, while its adjusted EPS grew by 14.4%. The increased shipment of grains drove the company's revenue, which was partially offset by lower crude oil volumes. Its operating metrics also improved, with RTM (revenue ton-mile) increasing by 10%, while its operating expenses declined by 5%.

Despite the pandemic's impact, CN Rail generated a free cash flow of $3.2 billion in 2020, representing its strong underlying business. Meanwhile, its management has provided a promising 2021 outlook, with its EPS expected to grow in high single digits. The management also projects to produce free-cash-flow in the range of $3 billion to $3.3 billion in 2021. So, given its stable cash flows, I believe the company's dividends are safe.

CN Rail's board raised its quarterly dividends by 7% to $0.615 per share, representing a 25th consecutive year of a dividend increase. Its dividend yield currently stands at 1.9%, which is on the lower side. However, CN Rail has raised its dividends at a CAGR of over 17% in the last 10 years, which is encouraging.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a diversified energy delivery company with around $160 billion of assets. The company runs a highly-regulated business, with 98% of its adjusted EBITDA generated from regulated or long-term contracts with credit-worthy counterparties. Further, the company has planned to invest around $16 billion from 2020 to 2023, increasing its adjusted EBITDA by $2 billion from 2023.

Meanwhile, the company has taken several initiatives, which could deliver a cost-saving of $300 million in 2020 and $100 million in 2021. The management also expects its DCF per share to grow at a compound annual growth rate (CAGR) of 5-7% over the next three years. So, given its stable cash flows, healthy growth prospects, and $14 billion liquidity, Enbridge's dividends are safe.

The company has raised its dividends for 26 consecutive years at a CAGR of 10%. In December, its management increased its 2021 dividends by 3% to $3.34 per share, representing a dividend yield of 7.7%.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:ENB (Enbridge Inc.)

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