3 of the Best Dividend Stocks in Canada to Buy in May 2021

Description

Dividend stocks remain a top bet for investors looking for a predictable stream of income as well as steady gains over time. While dividend payments are not guaranteed, it is unusual to see a company suspending these payouts unless absolutely necessary. We'll take a look at three Canadian dividend-paying stocks with strong business models that can sustain and increase these payouts across business cycles.

Enbridge

The first stock on my list is **Enbridge** (TSX:ENB)(NYSE:ENB), a diversified midstream energy company with a tasty dividend yield of 7%. Enbridge's expanding base of cash-generating assets has allowed it to increase dividends at an annual rate of 10% since 1995. Around 90% of its EBITDA is backed by long-term contracts, making the company immune to fluctuating commodity prices.

While the renewable energy business accounts for just 3% of total revenue, Enbridge has several large offshore wind farm investments in Europe that will help it gain traction in this rapidly expanding market.

Enbridge aims to keep its distributable cash flow payout ratio below 70%. In the next few years, it expects to increase DCF per share between 5% and 7%, which will help it increase dividend payments over time.

Analysts tracking the stock have a 12-month average target price of $52.18, which is 15% above the current trading price. After accounting for its forward yield, total returns will be close to 23%.

Fortis

Another dividend-paying giant in Canada is **Fortis** (TSX:FTS)(NYSE:FTS). Valued at a market cap of $26 billion, Fortis stock also has a forward yield of 3.7%. The company aims to increase its rate baseby 6% annually from $30.5 billion in 2020 to $40 billion in 2025. This also suggests Fortis will be ableto increase dividend payouts going forward — something it has done for 47 consecutive years.

In the first quarter of 2021, Fortis reported adjusted net earnings of $360 million or $0.77 per share compared to earnings of $0.68 per share in the prior-year period. Fortis is a recession-proof stock and derives most of its earnings from regulated operations that are stable and low-risk while also providing cash flow visibility. Going ahead, Fortis aims to increase dividends at an annual rate of 5% in the medium term.

Analysts tracking the stock have a 12-month average target price of $59, which is 7.7% above the current trading price. After accounting for its forward yield, total returns will be close to 11%.

Brookfield Renewable Partners

The final stock on this list is **Brookfield Renewable** (TSX:BEP.UN)(NYSE:BEP). In the first quarter of 2021, Brookfield Renewable generated $257 million, or $0.40 per share, in funds from operations, a rise of 33% year over year.

The clean energy giant continues to accelerate its capital-recycling program. Earlier this year, it agreed to sell over $850 million of assets that include mature onshore wind portfolios in Ireland and the United Kingdom. These asset sales enabled Brookfield to end the quarter with $3.4 billion in liquidity as well as with an investment-grade credit rating. A robust cash balance will allow Brookfield Renewable to pursue accretive acquisitions and multiple development projects in 2021 and beyond.

Brookfield Renewables has been a solid wealth creator for long-term investors. The stock has a forward yield of 3.6% and expects to return around 12% annually to shareholders.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:FTS (Fortis Inc.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:ENB (Enbridge Inc.)
6. TSX:FTS (Fortis Inc.)

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