The 3 Best Canadian Dividend Stocks to Buy Now With $500

Description

Investors looking for a steady stream of passive income can look to buy and hold dividend stocks. There are several Canadian dividend-paying companies trading on the TSX with yields that are higher than existing bond rates. Further, dividend investors will also benefit from capital gains over the long term, making these stocks ideal investment instruments.

We'll take a look at three blue-chip dividend stocks on the TSX.

Algonquin Power & Utilities

The first stock on my list is **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN). Shares of this utility and renewable energy company are trading at $19.16 per share, indicating a forward yield of 4.41%.

In the first quarter of 2021, AQN increased its revenue by 36% year over year to $634.5 million, while its adjusted EBITDA rose 17% to $282.9 million and adjusted net earnings were up 21% at $124.5 million.

The company has increased its dividend payouts at an annual rate of 7% in the last five years and increased payouts by another 10% in 2021. Further, the stock has returned 250% in the last 10 years, easily outpacing peers and broader indexes.

Analysts tracking the stock expect AQN sales to rise by 30% to $2.17 billion in 2021 and by 14% to $2.48 billion in 2022. Comparatively, its earnings are forecast to rise at an annual rate of 9% in the next five years.

National Bank of Canada

A large-cap stock with a market cap of $31 billion, **National Bank of Canada** (TSX:NA) has a forward yield of 3.1%. Its financial markets business saw net income rise by 50% year over year to $238 million primarily due to lower PCLs (provision for credit losses). However, sales were down 5.2% year over year due to lower trading activity.

A strong equity market helped National Bank’s wealth division increase the bottom line by 17% to $165 million, while total adjusted net income stood at $801 million, or $2.25 per share.

In the first six months of fiscal 2021, National Bank of Canada reported a net income of $1.56 billion compared to $989 million in the prior-year period. Adjusted earnings per share also rose from $2.68 to $4.4 in this period. Given the company pays dividends of $0.71 per share each quarter, its payout ratio is less than 50%, giving it enough room to increase these payments over time.

Emera

The final stock on my list is **Emera** (TSX:EMA). Shares of the utility giant are trading at $57.03, indicating a forward yield of a juicy 4.5%. In Q1, Emera reported an adjusted net income of $243 million, or $0.96 per share, compared to a net income of $193 million, or $0.79 per share, in the prior-year period.

It plans to invest $7.4 billion in capital expenditures between 2021 and 2023 with the potential to deploy an additional $1.2 billion in this period. This means its rate base growth is forecast to grow between 7.5% and 8.5% through 2023.

Emera confirmed it’s on track to invest over $2 billion in 2021, increasing its rate base by 6% to $22.5 billion. This capex plan will include investments across renewable energy as well as infrastructure modernization and customer-focused technologies.

The company explained capex will be funded through internally generated cash flows and debt. These investments will help Emera increase dividends between 4% to 5% through 2022.

CATEGORY

1. Bank Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:EMA (Emera Incorporated)
4. TSX:NA (National Bank of Canada)

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Date
2025/07/04
Date Created
2021/06/11
Author
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