3 of the Best Canadian Passive-Income Stocks to Buy Now

Description

Having a passive-income stream adds much-needed stability to your financial life. So, if you plan to build a passive-income portfolio, consider buying quality Canadian stocks that pay regular, safe, and growing dividends. I have shortlisted three TSX stocks that have delivered higher dividends in the past several years, thanks to their robust cash flows and high-quality earnings base. Further, these stocks offer stellar dividend yields and have a sustainable payout ratio.

Longest track record of paying increased dividends

Canadian Utilities (TSX:CU) is an excellent dividend stock and is known for raising dividends for the longest period. The utility company has increased its dividend for about 49 consecutive years, reflecting its ability to consistently deliver stellar earnings growth.

The company gets almost all of its profits from high-quality, regulated utility assets that support its payouts. Moreover, its continued investments in contracted and regulated assets, gradual improvement in its energy infrastructure business, and cost-control measures indicate that Canadian Utilities could continue to enhance its shareholders' returns through increased dividends.

Investors eyeing a lifetime of passive income could add Canadian Utilities to their investment portfolio. Currently, it offers a solid yield of over 4.9%.

A low-risk business with resilient cash flows

Fortis (TSX:FTS)(NYSE:FTS) is another top Canadian stock for investors looking for a reliable and safe dividend income. The company owns a low-risk business that generates robust cash flows helping it to consistently deliver superior shareholders' returns over the past several years. Notably, the company uninterruptedly increased its dividend for 47 years and could continue to hike it further at a healthy pace. The company expects a 6% annual increase in its dividend over the next five years, thanks to its predictable cash flows and a $10 billion growth in its rate base.

With its diversified utility assets, consistent rate base growth, increase in renewable power-generation capacity and focus on reducing operational costs, Fortis could continue to drive its earnings at a decent pace, which is likely to push its dividend higher. Further, increased retail electricity sales and strategic acquisitions could accelerate Fortis's growth rate. Currently, the company quarterly pays its dividends and yield at 3.6%.

Safe and sustainable payouts

Pembina Pipeline (TSX:PPL)(NYSE:PBA) has been regularly paying dividends since 1997 and has raised it annually by about 5% in the last decade. I believe it is a solid dividend stock and should be part of your passive income portfolio, as the company generates stable fee-based cash flows and its payouts are safe and sustainable.

Pembina generates most of its earnings from the highly contracted business, which augurs well for future dividends. Moreover, it offers a high yield of 6.3%, which supports my optimism. I believe the improvement in energy outlook, higher volumes and pricing, and improving operating leverage will continue to drive its profits and cash flows in the long run. Further, Pembina's exposure to multiple commodities and its newly secured growth projects will likely support future dividends.

The company's valuation looks well within reach, as it trades at a lower EV/EBITDA multiple of 10.7 compared to its peers.

CATEGORY

1. Coronavirus
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2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:FTS (Fortis Inc.)
5. TSX:PPL (Pembina Pipeline Corporation)

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