Passive Income: 2 TSX Dividend Aristocrats to Buy Right Now

Description

Investing in dividend stocks is not as simple as it seems. You need to identify companies that are capable of generating predictable cash flows across business cycles allowing them to maintain dividend payouts across good times and bad.

The ideal dividend-paying company is one that increases its payout each year. A company that has increased dividends for five consecutive years is called a Dividend Aristocrat in Canada.

Let's take a look at two such companies on the **TSX** that you can buy right now.

Canadian Utilities

A $20 billion diversified company, **Canadian Utilities** (TSX:CU) provides essential services and business solutions in utilities, energy infrastructure, and retail energy. Its utility business consists of electricity transmission and distribution, natural gas transmission and distribution, and international electric operations.

The energy infrastructure provides electricity generation, energy storage, and industrial water solutions while retail energy provides electricity and natural gas to retail customers.

Canadian Utilities' stock has a forward yield of 5.1% and the company has increased its dividends every year for the past 48 years which is the longest record of dividend increases for any Canadian company. CU confirms it aims to grow these payouts in line with its sustainable earnings growth which in turn is linked to growth from regulated and long-term contracted investments.

In the last year, Canadian Utilities has invested $12 billion in regulated operations. In 2019, regulated utility accounted for 95% of total adjusted earnings. This regulated earnings base provides the foundation for continued dividend growth.

The company forecasts to invested $3.5 billion in regulated and long-term contracted assets between 2020 and 2022 to strengthen its cash flows and earnings base. Canadian Utilities is focused on maintaining a strong balance sheet, which will provide it with the financial flexibility to fund existing and future capital investments, driven by its strong, investment-grade credit ratings.

Capital Power

A growth-oriented North American wholesale power producer, **Capital Power** (TSX:CPX) builds, owns, and operates high-quality utility-scale generation facilities including renewables such as wind, solar, and waste heat and thermal including natural gas and coal.

The company owns 6,500 megawatts of power generation capacity at 28 North American facilities. In 2020, Capital Power reported sales of $1.94 billion with adjusted EBITDA of $955 million and net income of $130 million.

Last year, Capital Power completed the construction of a wind facility and acquired another while beginning construction on two other projects. It also announced five new solar projects that will add 425 megawatts to its fleet by end of 2022, more than doubling the company's renewable opportunities in North America.

In the first quarter of 2021, Capital Power increased revenue by 4% year over year to $554 million. Its adjusted EBITDA grew 29% to $303 million while adjusted earnings per share more than doubled to $0.64.

Net cash flow from operations rose to $206 million, up from $103 million in the year-ago quarter. Comparatively adjusted funds from operations rose 33% to $159 million or $1.49 per share.

Capital Power pays a quarterly dividend of $0.5125 per share, which suggests its payout ratio is less than 35%, giving it enough room to increase dividends going forward as well. Capital Power currently has a forward yield of 5%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CPX (Capital Power Corporation)
2. TSX:CU (Canadian Utilities Limited)

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