Dividend Investors: 3 Top TSX Stocks to Buy in August

Description

The markets continue to trade near record highs driven by strong earnings in the June quarter. In the first seven months of 2021, the **S&P 500 Composite Index** has already gained over 20%, while the **TSX 60 Index** has returned 18.8%.

However, there are a few dividend-paying stocks that remain attractive right now despite a frothy market. Dividend stocks allow investors to generate a steady stream of recurring income as well as benefit from long-term capital gains. Here, we take a look at three such companies trading at a discount to analyst estimates.

AltaGas

A diversified energy infrastructure company, **AltaGas** (TSX:ALA) has two primary business segments that include utilities and midstream. Its utility business owns and operates regulated natural gas distribution as well as natural gas storage utilities in Canada and the United States.

It also provides interstate natural gas transportation and storage services. The company's midstream business is engaged in natural gas gathering and processing as well as natural gas liquid extraction, transmission, and storage.

AltaGas stock provides investors with a dividend yield of 3.8% and has gained 66% in market value in the last year. Despite its stellar gains, AltaGas remains a solid bet for the long term, with a diversified base of cash-generating assets which will allow it to maintain or even increase dividend payments going forward.

Its utility business generates predictable cash flows which should increase going forward, given the company's customer additions and rate base growth coupled with a cost reduction program.

TransAlta Renewables

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In case you are bullish on companies operating in the clean energy vertical, **TransAlta Renewables** (TSX:RNW) should be a part of your portfolio. The stock has more than doubled in the last five years after adjusting for dividends and currently provides investors with a forward yield of 4.2%.

TransAlta has a total power-generating capacity of 2.8 gigawatts. It sells power via long-term purchase agreements which protect the company from price fluctuations resulting in stable cash flows.

TransAlta has deployed over $3 billion in accretive acquisition in the last eight years and has a pipeline of 2.9 gigawatts of projects, making it one of the top dividend-paying stocks on the **TSX**.

The stock is trading at a forward price to 2021 earnings multiple of 29, which is reasonable given its forecast to increase earnings at an annual rate of 20% in the next five years.

Brookfield Renewable Partners

One of the largest renewable energy companies in the world, **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP) is the final stock on my list. It owns and operates a diversified portfolio of hydroelectric, solar, wind and storage facilities across four continents.

BEP already has a development pipeline of 27,000-megawatts in development, which is more than twice its current capacity. The company's management is expected to deliver annual returns of 15% to shareholders over the long term, making it an enviable pick right now.

Brookfield Renewable provides investors a forward yield of 3.1%. After adjusting for dividends. the stock has returned a cumulative 182% to shareholders in the last five years.

The renewable energy giant has increased its funds from operations at an annual rate of 10% between 2010 and 2020, allowing the company to increase dividend payouts consistently.

CATEGORY

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2. TSX:ALA (AltaGas Ltd.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
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araghunath

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