3 Great Canadian Dividend Stocks for Passive Income

## Description

A long track record of dividend growth is a key factor in determining the best stocks to buy for passive income.



# Fortis

**Fortis** (TSX:FTS)(NYSE:FTS) has raised the dividend in each of the past 47 years and is providing great dividend-growth guidance. In the Q2 2021 earnings report, Fortis said its five-year capital program, now up to $19.6 billion, is progressing as planned. The company expects to increase the rate base across its utility assets by about $10 billion from 2020 to 2025. The resulting jump in revenue and cash flow should support average annual dividend hikes of 6%. Investors could see the timeline extended, as new projects get added to the development program.

Fortis trades near $57.50 per share at the time of writing and provides a 3.5% dividend yield.

# Canadian Natural Resources

**Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) is a leader in the Canadian oil and gas industry with a wide variety of assets that includes oil sands, conventional heavy oil, light oil, offshore oil, natural gas, and gas liquids.

The company owns 100% of most of its operations, so CNRL doesn't have to negotiate with a partner when it wants to move capital to other opportunities. This flexibility helps CNRL get the best return possible when commodity markets move in favourable directions. Natural gas prices, for example, held up well last year while oil took a beating.

CNRL enjoys a strong balance sheet and is generating significant extra cash at current oil and gas prices. The robust market conditions should remain in place for the next few years, as a rebound in fuel demand bumps up against a drastic reduction in exploration investment that occurred in the past year.

The board raised the dividend by 11% for 2022, marking the 21st consecutive year of dividend hikes. A similar increase is likely in 2022 given the strong cash flow the company is enjoying. Investors have a chance to buy the stock on a dip right now. CNRL trades for close to $40 per share compared to $46 earlier this year. At the current price, investors can pick up a 4.7% dividend yield.

## TC Energy

**TC Energy** (TSX:TRP)(NYSE:TRP) owns $100 billion in assets in Canada, the United States, and Mexico. The businesses include natural gas pipelines, natural gas storage, power generation, and oil pipelines. TC Energy's operations have performed well over the past year, and the company is working on $21 billion in projects to drive organic growth.

The energy infrastructure sector is ripe for consolidation. With a market capitalization of nearly $60 billion, TC Energy has the size to do strategic deals. It spent US$13 billion in 2016 to buy Texas-based Columbia Pipeline Group, so the company isn't afraid to go big when it finds the right opportunity.

TC Energy has increased the dividend every year for the past two decades and is providing dividend-growth guidance of 5-7% per year. The stock looks undervalued at the current price of $59.50 per share and offers a 5.8% dividend yield.



## The bottom line

Fortis, CNRL, and TC Energy are all top dividend stocks to buy for a portfolio focused on passive income. If you only choose one, I think TC Energy is the best pick today. The stock probably has the most upside potential over the next 12 months and offers the best yield.

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:TRP (Tc Energy)
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5. TSX:FTS (Fortis Inc.)
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