2 Top Dividend Kings in the Making

Description

Dividend Kings are hard to come by, especially on the **TSX Index**. Crises happen, and cash flow streams can be challenged in a way such that dividend commitments become too hefty. Undoubtedly, very few firms can be crowned as kings. And while there aren't yet any firms in Canada that have hiked dividends by over 50 years, I think that long-term investors have a lot to gain by betting big on the Dividend King candidates that could be crowned at some point over the next few decades.

What should Canadian investors look for when going on the hunt for such plays? Not only does a firm need a history of keeping dividends intact, but the firm also needs a shareholder-friendly management team and a firm whose operating cash flows are relatively resilient through tough times. As investors, we need to get used to recessions, depressions, crises, and surprise downturns. We'll face many. That's why it's vital to screen firms that are best able to keep raising dividends through such times.

Consider **Enbridge** (TSX:ENB)(NYSE:ENB) and **Hydro One** (TSX:H): two firms that are likely to be crowned Dividend Kings.

Enbridge: Keep the income hikes coming!

Enbridge is one of the best pipeline plays in Canada. The firm is less sensitive to those daily oil price fluctuations, but as we found out in 2015, a rock-bottom (or anything close to it) energy price environment does not bode well for firms in the midstream. With oil back on the retreat, Enbridge could find itself in a world of pain again, at least over the near term.

Any such pressure could be a huge opportunity for income investors seeking the next Dividend King. Why? Despite operating in one of the harshest environments right now (the energy sector), Enbridge's managers have shown numerous times that they are willing to do almost anything if it means keeping dividends intact. Heck, the firm was able to hike dividends amid weakness. While some view dividend hikes during rocky environments as a bad idea, I think investors should give Enbridge the benefit of the doubt given its robust growth pipeline and the likelihood that fossil fuels have one more boom left in them.

The dividend yields 6.9% and is likely to keep growing on the other side of the pandemic. While Enbridge is the riskiest Dividend King candidate on this list, I think it's worthy of a spot in a portfolio of those.

Hydro One: My top unofficial Dividend King

Hydro One has one of the highest barriers to entry, protecting its slice of economic profits in Ontario. The wide is unfathomably wide that can be viewed as both a blessing and a curse, as I pointed out in past pieces. It's a blessing in that it gives Hydro One an incredibly secure operating cash flow stream. On the flip side, it's so wide that regulators make it hard for the firm to grow its cash flows, either via big price hikes or M&A growth opportunities.

The company had acquisitions shot down in the past. More of the same can be expected until the province of Ontario sells more of its shares. While Hydro One's growth story could heat up in the distant future, the main attraction to the name is not its growth prospects; it's its stability as a bond proxy.

I believe it's just a matter of time before Hydro One is crowned Dividend King. It's just been a publicly traded TSX stock for around six years, so it'll be some time before things are official. Still, virtual monopolies are hard to come by, so if you're looking to offload some bonds for a steady Dividend King in the making, Hydro One should be at the very top of your shopping list.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:H (Hydro One Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/18
Date Created
2021/08/23
Author
joefrenette