The Best Dividend Stocks to Protect Against Inflation

Description

In late May, I'd discussed rising inflation in Canada and North America broadly. Statistics Canada released more data on that point in August. The annual pace of inflation hit 3.7% in the month of July. This was the largest increase since May 2011. Today, I want to look at two of the best dividend stocks to snatch up in this climate. Let's dive in.

Why this dividend stock is perfect to hold as prices rise

Loblaw (TSX:L) is the largest grocery retailer in Canada. Food prices have climbed steadily in recent years. Late last year, the Canada Food Price Report projected an increase of 3-5% for 2021. The meat and vegetable categories were expected to deliver an increase between 4.5% and 6.5%. It also owns top brands like President's Choice, Joe Fresh, No Name, and others. Shares of this dividend stock have climbed 40% in 2021 as of close on September 2. The stock is up 31% from the prior year.

The company unveiled its second-quarter 2021 results on July 28. Revenue rose 4.5% year over year to $12.4 billion in Q2 2021. However, its retail segment sales were carried by growth in Drug Retail. Still, the two-year sales CAGR for Food Retail and Drug Retail was 6.3% and 5.7%, respectively. Adjusted EBITDA climbed 36% to $1.37 billion.

Shares of this dividend stock last had a price-to-earnings (P/E) ratio of 22. That puts Loblaw in favourable value territory. It offers a quarterly distribution of $0.365 per share. This represents a modest 1.6% yield.

Here's another stock that offers defence in this environment

Emera (TSX:EMA) is a Nova Scotia-based energy and services company. Utilities proved to be a very stable option over the course of the COVID-19 pandemic. Rising inflation has made it very hardfor investors to snatch up dependable sources of income without taking on risk. In my view, dividend stocks like Emera offer the best trade off. Shares of Emera have increased 10% in the year-to-date period.

This company released its second-quarter 2021 results on August 11. Adjusted earnings per share increased 13% from the prior year to $0.54. Meanwhile, adjusted EPS rose 17% in the first six months of 2021 to $1.49. It achieved this growth on the back of lower financing costs, and improved earnings at Peoples Gas and Emera Energy Services. The one outlier, Tampa Electric, filed a three-year settlement agreement that should see it post better revenue growth going forward.

Emera recently unveiled a $7.4 billion capital investment plan that will span the 2021 to 2023 period. It aims to grow its rate base of 7.5-8.5% through the end of the projected period. The company has provided annual dividend-growth guidance of 4-5% through 2022. This is a dividend stock you can trust for the long haul.

Shares of this dividend stock possess a P/E ratio of 24, putting it in solid value territory relative to its industry peers. It last paid out a quarterly dividend of $0.637 per share. That represents a 4.2% yield.

CATEGORY

1. Investing

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1. TSX:EMA (Emera Incorporated)
2. TSX:L (Loblaw Companies Limited)

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