



## Passive Income: The 3 Best Dividend-Growth Stocks to Buy Now

### Description

Today is a great time to own high-quality Canadian [dividend](#) stocks. With the **S&P/TSX Composite Index** trading up 18.70% year to date, Canadian stocks have had a very strong year. While markets could keep charging higher, it is getting harder to imagine stock valuations climbing even higher this year.

### Dividend-growth stocks are a great way to beat inflation

As a result, owning dividend stocks is a good way to backstop returns if the market goes down or sideways. In an economic environment where inflation could continue to be a rising concern, I also want to own stocks with long histories of raising their dividends. Here are three top dividend-growth stocks I would be happy to buy in September and hold for the years ahead.

### Brookfield Infrastructure Partners: An ideal total return stock

**Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) has a solid history of paying and growing its dividends. Since its inception in 2009, this stock has consistently grown its dividend by a compounded annual rate of 10%. Despite a recent pullback, its stock is up 13.7% since the start of the year. Not to forget, it has also paid an attractive 3.55% dividend along the way.

There are a few reasons to like this dividend stock. Firstly, it has a highly regulated/contracted stream of cash flows. That helps keep the dividend well funded and covers organic capital growth initiatives. Secondly, 70% of its contracts are indexed to inflation. As the economy heats up, so do its profits.

Lastly, infrastructure assets like transmission lines, railroads, ports, and cell towers are in high demand by institutional investors. Brookfield has been able to recycle its assets for top dollar in today's market. As a result, over time, its portfolio value, its stream of cash flows, and also its stock price should keep rising.

## Canadian Natural Resources: A top energy dividend-growth stock

Generally, I would never count on an oil stock for dividends. However, I might make one exception: **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)). Over the past 10 years, it has grown its dividend by a compounded annual growth rate of 17.9%! Today, it pays a very attractive 4.36% dividend.

While every energy business is generally a price taker, CNQ has manufacturing-like operating efficiency. With WTI oil price at US\$30 per barrel, this company can still sustain its capital spend and dividend.

At the current price of about US\$70 per barrel, CNQ is producing a boatload of free cash flow. In fact, it projects to produce nearly \$8 billion in excess cash this year! That's a +20% free cash flow yield! Considering all the options it has to reduce debt, raise its dividend and buy back stock, this is an exciting dividend stock to own now.

## Canadian Pacific Railway: A great value stock

**Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)) stock is not perhaps best known for its dividend. It only pays a 0.88% dividend yield. Yet since 2011, it has grown that dividend by a 12.8% compounded annual rate. This is because the company has done an excellent job growing the business both in scale and in efficiency. It has expanded earnings per share over that same period by a 22% compounded annual rate.

The company is once again in the driver seat to [acquire](#) **Kansas City Southern**. On this news, the stock has pulled back and it only trades with a price-to-earnings ratio of 18 today. While this may be dilutive in the short term, it presents very long-term growth opportunities.

Not to forget, CP would have the only Canada-U.S.-Mexico rail line. CP has one of the best efficiency ratios in the industry and perhaps one of the best CEOs as well. Consequently, it looks like a great dividend and [value stock](#) to buy now.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:CNQ (Canadian Natural Resources)

3. NYSE:CP (Canadian Pacific Railway)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:CNQ (Canadian Natural Resources Limited)
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