2 Top TSX Stocks With Great Dividend Growth to Buy Now

Description

Dividend investors want high yields, but the growth of the payout each year is often more important than the yield at the time you buy the stock for your Tax-Free Savings Account (TFSA) or RRSP portfolio.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is one of the best dividend-growth stocks in the **TSX** over the past five decades. In fact, the board has raised the payout for 47 straight years.

Fortis owns utility businesses in Canada, the United States, and the Caribbean. The assets include power generation facilities, electric transmission networks, and natural gas distribution companies. Revenue in these segments is generally regulated, meaning that Fortis has a pretty good idea of what its cash flow will look like each year.

The company grows by buying other utilities or building new infrastructure to expand existing operations. While Fortis hasn't done a big deal in five years, the recent addition of a mergers and acquisition specialist to the executive team might be an indication that new acquisitions might are on the way.

In the meantime, Fortis is working on a $19.6 billion capital program that is expected to increase the rate base from about $30 billion to $40 billion over five years. As a result, the board plans to boost the dividend by an average annual rate of 6% through 2025. This is great guidance for dividend investors who want to see steady increases in the payout.

The share price is up 12% this year. At the current price of nearly $58 per share, investors can pick up a 3.5% yield.

Long-term owners of Fortis stock have enjoyed great returns. A $10,000 investment in the shares 25 years ago would be worth about $200,000 today with the dividends reinvested.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) raised the dividend by 11% in 2021, the 21st consecutive annual dividend increase. That's a great track record for an oil and gas producer that has to ride out the volatility of the commodity markets.

CNRL's secret could be the broad asset base across the hydrocarbon footprint. The company has oil sands, offshore oil, heavy oil, light oil, natural gas, and natural gas liquids production and reserves. CNRL tends to be the sole owner of most of its operations, giving management more flexibility to quickly shift capital to the highest-margin opportunities across the portfolio.

The large natural gas operations balance out the oil production revenue and currently enjoy great profitability. Natural gas prices have soared to multi-year highs in 2021 and projections through the first half of 2022 appear positive for the market.

With West Texas Intermediate (WTI) oil back above US$70 per barrel and natural gas gains holding at high levels, CNRL is a cash machine. In the Q2 2021 earnings report the company said it expects 2021 free cash flow to be $7.2 – 7.7 billion.

The stock was way oversold last year and has tripled off 2020 low as a result of the rebound in oil prices. Even at the current share price near $43, this stock appears cheap.

Investors should see another double-digit dividend increase in 2022 and CNRL continues to use excess cash to buy back shares and pay down debt. At the time of writing the stock provides a dividend yield of 4.3%.

The bottom line on top TSX dividend stocks

Fortis and CNRL have fantastic track records of dividend growth that should continue in the coming years. The stocks appear attractive today and deserve to be on your radar for a dividend-focused portfolio.

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