TFSA Investors: 3 TSX Stocks With High Dividend Growth

Description

When you buy dividend stocks, it's tempting to go for a high yield. A higher yield means more cash money in your pocket with the same amount invested. But that's only one side of the equation. A high yield today could become a low yield tomorrow, or vice versa.

A stock that's always cutting its dividend will see lower yields for investors who bought before the cut. But the reverse is also true. If you invest in high dividend growth stocks, you could see your yield-on-cost grow over time. With that in mind, here are three **TSX** stocks with high dividend growth.

Alimentation Couche Tard

Alimentation Couche-Tard (TSX:ATD.B) is a Canadian dividend stock that has grown its dividend by 19% annualized over the last five years. That's enough dividend growth to double your payout in four years.

Why has Alimentation Couche-Tard's dividend growth been so strong?

It all comes down to acquisitions. ATD.B has been buying up competitors at a rapid pace over the past few decades. For example, it bought out the popular U.S. chain Circle K and snapped up over 1,000 new stores in the process. ATD.B made all of these acquisitions without taking on too much debt. As a result, its earnings have grown steadily over the years, powering regular increases in the dividend.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a Canadian energy stock that has grown its dividend at 9.3% annualized over the last five years. That's not quite as much dividend growth as ATD.B has produced, but ENB's current yield (6.4%) is far higher.

Enbridge is a perfect example of what a depressed stock price does to a dividend stock. Over the last five years, ENB's stock price has barely risen. But its earnings and dividend have risen steadily. As a result, the company's yield has just kept growing. At one point, during the March 2020 stock market crash, you could have snapped up a 12% yield on your ENB shares!

Can all this dividend growth continue? Potentially, yes. Enbridge's new infrastructure projects seem to be going full steam ahead, so it may enjoy higher earnings and cash flow in the future. That, in turn, could lead to higher dividends.

CN Railway

The **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is a dividend stock that has raised its payout by 12.8% annualized over the last five years. That's a pretty high dividend growth rate. If a stock you hold raises its dividend by 12.8% every year, then your payout will double in under seven years. CNR's yield is not high now, but its yield-on-cost could increase in the future.

Will that actually happen?

Well, the company hit a stumbling block in 2020, when its revenue and earnings went lower. The COVID-19 pandemic disrupted oil and gas as well as timber production, which hit CNR in the pocketbook, severely disrupting CN Railway's growth. In 2021, though, the company seems to be on the upswing. In its most recent quarter, CNR grew both revenue and earnings by double digits. So this stock may enjoy a future much better than its recent past.

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