3 Top Canadian Dividend Stocks to Buy Right Now!

Description

Investing in quality dividend stocks allows investors to create a passive income stream as well as benefit from capital gains over the long term. You need to identify companies with strong fundamentals, robust business models, and predictable cash flows that will allow them to maintain dividend payouts in good times and bad.

Here, we look at three such **TSX** dividend stocks that should be on the radar of the income investor today.

Capital Power

Capital Power (TSX:CPX) is a company valued at a market cap of $5 billion. It owns, acquires, develops, and operates power generation facilities in Canada and the U.S. Capital Power owns 6,500 megawatts of power generation capacity across 28 facilities.

Its base of cash-generating assets has allowed Capital Power to increase dividend payouts at an annual rate of 5% in the last eight years. The stock currently offers investors a forward yield of 5.1%. The company has a payout ratio of less than 45%, which means it can easily continue to increase these payments going forward.

In the last five years, Capital Power has returned 181% to shareholders in dividend-adjusted returns, easily outpacing the broader markets. The company's adjusted earnings are forecast to grow at an annual rate of 17.5% in the next five years, making it extremely attractive to value investors.

Exco Technologies

A small-cap company that provides investors a dividend yield of 3.9%, **Exco Technologies** (TSX:XTC) designs, develops and manufactures dies, molds, components, and assemblies as well as consumable equipment for industries such as automotive, extrusion, and die-cast. It has two primary business segments that include Casting and Extrusion as well as Automotive Solutions.

Demand from the automotive sector was extremely subdued amid the pandemic, which caused Exco's sales to fall from $507.4 million in 2019 to just $412.3 million in 2020. Now, Wall Street expects sales to rise by 15.4% to $476 million in 2021 and by 13% to $538.4 million in 2022. This expansion in its top-line will also allow Exco to increase adjusted earnings per share from $0.69 in 2020 to $1.19 in 2022.

Exco stock is attractively valued and is trading at a forward price to sales multiple of less than one and a price to earnings multiple of 11. Bay Street expects the stock to rise by 30% in the next 12 months.

National Bank of Canada

The final stock on my list is the **National Bank of Canada** (TSX:NA), the sixth-largest bank in the country. Similar to the other big banks, the National Bank of Canada has survived multiple business cycles over the years on the back of its robust financials. NA stock has returned close to 175% in the last five years. Despite these stellar gains, it also provides investors with a forward yield of 2.9%.

The ongoing economic recovery will allow National Bank and peers to lower the provision for credit losses resulting in improved earnings and greater financial flexibility. The Bank of Canada should also relax dividend restrictions resulting in higher payouts in the future.

NA stock is trading at a forward price to earnings multiple of less than 12 and is expected to increase its bottom line at an annual rate of 14.6% in the next five years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:NA (National Bank of Canada)
3. TSX:XTC (Exco Technologies Limited)

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