Dividend Aristocrats That Could Deliver up to 5% Income

Description

Dividend Kings are hard to come by, because a publicly traded company must have increased its dividend for 50 consecutive years. **Canadian Utilities** (TSX:CU) and **Fortis** (TSX:FTS)(NYSE:FTS) are Dividend Aristocrats, but they are only one and three years, respectively, short of reaching "cream of the crop" status.

Still, the soon-to-be Dividend Kings could deliver up to 5% income to dividend earners. **Atco** (TSX:ACO.X), the mother company of Canadian Utilities, must increase its dividend every year in the next 23 years to be elevated to the elite group.

Steady performers

Many consider utility stocks boring investments, although most risk-averse investors run to them for capital protection when the market turns sour. Canadian Utilities and Fortis are safety nets, no less. You don't need to time the market to invest in either stock. The businesses can endure economic downturns, while the prices hardly swing wildly.

As of November 12, 2021, Canadian Utilities ($35.12 per share) and Fortis ($56.44 per share) are up 18.83% and 11.58%, respectively, year to date. The former pays a hefty 5.02% dividend, while the latter offers 3.79%. Besides the growing and rock-steady dividends, you pay good money for peace of mind.

Their historical returns somehow indicate reliability. Canadian Utilities's total return in the last 39.18 years is 8,720.56% (12.11% CAGR). Fortis delivered 5,512.43% (12.61% CAGR) in 33.9 years. Both companies have low-risk business models, and they derive revenues from highly regulated utility assets.

In the nine months ended September 30, 2021, Canadian Utilities reported 6% and 13% growth in revenue and net earnings growth, respectively, versus the same period in 2020. About 93% of the $9.47 billion diversified global energy infrastructure company's $912 million capital spending went to regulated utilities.

According to management, Fortis's new $20 billion five-year capital-investment plan (2022 to 2026) reflects customer growth. The $26.55 billion energy delivery company expects to fund most of the capital plan through cash from operations. Fortis targets a rate base of $41.6 billion in five years and promises a 6% average annual dividend increase through 2026.

Dividend Aristocrat

A TSX stock earns Dividend Aristocrat status if it has increased dividends for 25 straight years, ideally. Atco is on the list owing to its dividend-growth streak of 27 years. Besides energy and energy infrastructure solutions, the subsidiaries of this $4.7 billion firm provide other services like agriculture, housing, logistics, real estate, transportation, and water.

After three quarters in 2021, Atco's consolidated revenues and adjusted earnings climbed 4% and 17% versus the same period in 2020. During the period, its total capital investment was $1.04 billion, including $912 million for Canada Utilities. The company also generated $1.3 billion in funds from operations.

Regarding stock performance, Atco is as steady as Canadian Utilities with its 16% year-to-date gain. At $41.02% per share, the stock pays a 4.37% dividend. Growth is on the horizon for the mother company and its subsidiary. Management has acquired the rights to build two solar installations in Calgary. The twin solar projects would be the largest solar installation in Western Canada.

Protect your capital

Rising inflation could stall TSX's rally or trigger a market correction in the last two months of 2021. The solutions to protect your capital are to rebalance your portfolio and own Dividend Kings or Dividend Aristocrats.

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