3 Dividend Stocks to Defeat Inflation

Description

Inflation will soon replace COVID-19 as the primary enemy of stock market investors. The global pandemic caused the bear market in 2020, but the **TSX** did not take long to recover. Now, the Bank of Canada mentions transitory inflation, although it won't be short-lived.

We can't say for sure if the impact would be worse than the fallout from the pandemic. The feds are pre-disposed to increase interest rates or borrowing costs as early as Q1 2022. It's natural to feel anxious because high inflation will reduce purchasing power and deplete investments' value.

Fortunately, there are assets that can safeguard your capital, if not defeat inflation altogether. Utility stocks **Emera** (TSX:EMA) and **Superior Plus** (TSX:SPB) are safety nets in a recession-inflation period, while **Transcontinental** (TSX:TCL.A) could weather a bear market.

Growing utility company

The competitive advantages of Emera are its irreplaceable assets and its enduring business. This $15.35 billion company has a $7.4 billion capital investment plan in place for this year to 2023 plus potentially, about $1.2 billion worth of additional capital opportunities.

Management said Emera is on track to complete $2.1 billion investments in 2021 that will increase its rate base by 6% to $22.5 billion. With the capital plan, the subsequent rate base growth should be between 7.5% and 8.5% through 2023. Hence, investors can expect annual dividend growth of 4% to 5% through 2024.

Emera is a growing international utility company that derives revenue from highly regulated assets. You're in a better position to cope with inflation if you own the stock. Even if the price drops, the dividend payouts serve as your financial cushion. Current investors enjoy a 14.86% year-to-date gain in addition to the 4.46% dividend.

Robust pipeline

Superior Plus (+18.67 year to date) outperforms Emera and pays a higher dividend (5.19%). The $2.46 billion company engages in energy distribution, particularly propane, distillates, and related products and services. It operates in a mature industry with hardly any competition due to the high barriers to entry.

According to its website, management has worked hard in the last five years to implement competitive cost structures that led to reduced leverage and higher margins. Regarding the stock's performance within the period, the total return is 57.99% (16.4% compound annual growth rate).

Superior President and CEO Luc Desjardins said, "In the past 12 months, we have announced or closed eight acquisitions for an investment of approximately $625 million, and we continue to see a robust pipeline of acquisition opportunities in the U.S. and Canada."

Organic growth is coming

Transcontinental, a Dividend Aristocrat, carries a buy rating from market analysts. They project a return potential of 38.37% to $26.17 in 12 months. As of November 19, 2021, the share price is $18.91, while the dividend yield is 4.76%. The packaging and printing business segments are the growth drivers of this $1.68 billion company.

In Q3 fiscal 2021, Transcontinental experienced weaker than anticipated organic growth in the packaging sector. However, management expects organic growth volume in Q4 fiscal 2021 and Q1 fiscal 2022. Similarly, the company is confident that volume in the printing sector will continue its gradual recovery.

Counteraction

Smart investors flock to dividend stocks if they need to counteract the effects of inflation. The operating models and essential services of Emera, Superior Plus, and Transcontinental ensure uninterrupted income streams.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. TSX:SPB (Superior Plus Corp.)
3. TSX:TCL.A (Transcontinental Inc.)

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