The 3 Best Dividend Stocks to Buy in January 2022

Description

Dividend stocks are great assets to own in 2022. It has been a volatile start to 2022. Chances are good that there will be more volatility to come for the remainder of the year as well. Be it the Omicron COVID-19 strain, a hike in interest rates, or geopolitical concerns in Eastern Europe, there is plenty for the stock market to worry about.

That is why dividend stocks are ideal for a Canadian portfolio. When you can't control your capital returns, dividends consistently pay a nice reliable return. Dividend-growth stocks are the best because their passive income helps to offset the effects of inflation. Three dividend stocks that I'd be looking to own in 2022 are **AltaGas** (TSX:ALA), **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), and **Northland Power** (TSX:NPI).

AltaGas: A utility at a discount

AltaGas is a great way to get exposure to rising energy prices, but at relatively low risk. It operates two unique business segments. The first is a regulated gas utility in the United States. It collects very predictable streams of cash flows and has a higher-than-average growth profile due to several opportunities to expand its rate base.

Its second business focuses on an integrated midstream business across Canada. Extreme demand for propane and NGL in Asia and Europe is supporting strong volumes, increasing margins, and record demand.

Despite this attractive profile, AltaGas trades at a discount to its infrastructure and utility peers. Today, it pays a quarterly dividend worth $1.06 per share. It just raised this by 6% in December. Right now, this stock is yielding a 3.9% dividend on an annual basis.

Canadian Natural Resources: A best-in-breed dividend stock

Another interesting way to play the strength in energy is Canadian Natural Resources. It is the leader in Canada for long-life, low-cost oil and natural gas production. This company has been an amazing dividend stock. For the past 10 years, it has grown its dividend by an 18% compounded annual growth rate (CAGR)! For a volatile energy stock, that is impressive.

CNQ is a best-in-breed energy stock. It has factory-like production efficiency, and its cost of production is less than US$30 per barrel. Consequently, at +US$70 per barrel of oil, CNQ is gushing free cash flow. The company has low debt, so excess cash will largely flow to shareholders in 2022. Today, this TSX stock yields an attractive 3.6% dividend.

Northland Power: A solid monthly dividend stock

A stock on the opposite energy spectrum to consider is Northland Power. It operates and develops renewable power assets across the world. Its geographic diversification helps limit both its customer risk and renewable resource risk. Northland has a particular expertise in offshore wind power development. This is one of the fastest-growing segments in the renewables industry.

Currently, Northland has a large offshore development pipeline that is expected to more than double its power capacity and double its EBITDA returns. This stock is cheap compared to many peers, despite demonstrating solid potential for high-single digit growth.

It pays a monthly dividend of $0.10 per share. That translates to an attractive 3.4% dividend yield today. Renewable stocks have been declining over the past year, so you have to invest with a consideration for the long-term prospects of renewable power.

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2. TSX:ALA (AltaGas Ltd.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:NPI (Northland Power Inc.)

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Date
2025/08/22
Date Created
2022/01/19
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