Rising Volatility – 3 Safe Canadian Dividend Stocks to Strengthen Your Portfolio

Description

The weak earnings from Facebook's parent company, **Meta Platforms**, and the fear of interest rate hikes led the **S&P/TSX Composite Index** to fall 1.3% yesterday. With inflation at a multi-decade high, the U.S. Federal Reserve could increase interest rates as early as next month. So, I expect the equity markets to remain volatile this year. Amid an uncertain outlook, investors can strengthen their portfolios by adding the following three safe dividend stocks.

BCE

Yesterday, **BCE** (TSX:BCE)(NYSE:BCE) reported an impressive fourth-quarter performance, outperforming analysts' expectations. Its revenue came in at $6.21 billion, representing year-over-year growth of 1.8%. The strong performance from its services segment more than offset the decline in revenue from its product segment to drive its revenue. Meanwhile, its net earnings fell 29.7% amid one-time gains from the sales of BELL data centers in the fourth quarter of 2020. However, removing one-time or special items, the company's adjusted EPS stood at $0.76, representing a year-over-year decline of 6.2%.

Last year, BCE added 1.1 new direct fibre and wireless home internet connections while expanding its 5G service to cover 70% of the Canadian population. Meanwhile, the company expects to invest around $5 billion this year to expand its broadband and wireless network. Supported by these investments and rising demand amid increased digitization, BCE's management expects its revenue to grow by 1%-5% while its adjusted EPS could grow by 2%-7%. The company's free cash flows could increase by 2%-10%.

After reporting a solid quarterly performance, BCE raised its quarterly dividend by 5.1% to $0.92 per share, representing a 14th consecutive year of above 5% dividend hikes. Meanwhile, its forward yield stands at 5.45%. BCE could be an excellent bet in this volatile environment, given its substantial cash flows, healthy growth prospects, and juicy dividend yield.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) could be another excellent stock to buy in this volatile environment. The company operates 10 regulated utility assets, meeting the energy needs of around 3.4 million customers. Given its highly regulated, low-risk assets, its financials are largely immune to economic downturns, thus generating stable and predictable cash flows. Supported by these stable cash flows, the company has raised its dividends for 48 years. With a quarterly dividend of $0.505, its forward yield stands at a healthy 3.36%.

Meanwhile, Fortis hopes to invest around $20 billion over the next five years, primarily on regulated utility and transmission assets. Along with these investments, favourable rate revisions, cost-cutting initiatives, and strategic acquisitions could boost its financials in the coming years. I believe Fortis's dividends are safe.

Canadian Utilities

My final pick would be **Canadian Utilities** (TSX:CU), which is involved in the transmission and distribution of electricity and natural gas. It is also involved with the production and storage of electricity. The company serves around 2 million customers with its five utility assets, which generate most of its earnings. The low-risk utility assets generate robust cash flows irrespective of economic cycles, thus allowing the company to increase dividends for 49 consecutive years, the longest Canadian public company to do so. With a quarterly dividend of $0.4442, the company's forward yield stands at 4.9%.

Meanwhile, Canadian Utilities has planned to invest $3.2 billion from 2021 through 2023, growing its rate base at a CAGR of 2% to $14.8 billion. Along with these investments, its solid underlying business could boost its financials in the coming years, thus allowing it to continue its dividend growth. Given its excellent track record and robust cash flows, I am bullish on Canadian Utilities.

CATEGORY

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3. TSX:BCE (BCE Inc.)
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