



2 Top TSX Dividend Stocks to Buy in February and Own for Decades

Description

Canadian investors are searching for top TSX dividend stocks to buy in their [retirement](#) portfolios today and hold for years.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest communications provider with world-class wireless and wireline networks delivering mobile, internet, and TV services to business and retail customers.

The company reported a 6% gain in adjusted net earnings in 2021 compared to the previous year. Strong growth across the wireless, residential internet, and media groups occurred, as the economy rebounded and businesses started spending more on advertising.

BCE continues to invest in network upgrades to ensure its customers have access to the broadband they need across multiple platforms. This includes the expansion of its [5G](#) network, which already reaches 70% of Canadians.

The capital program jumped to \$4.84 billion in 2021 from \$4.2 billion in 2020. Higher investment expenditures led to a 10.5% drop in free cash flow, but BCE still generated free cash flow of \$3 billion in 2021, and management is targeting free cash flow growth of as much as 10% in 2022.

The board raised the dividend by 5.1% when BCE announced the Q4 2021 results. With earnings per share expected to grow as much as 7% this year and free cash flow gains on the way, the 2023 dividend boost should be in the 5% range as well.

The new annualized dividend of \$3.68 per share provides a 5.5% yield at the time of writing.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) trades near \$18 per share compared to the 12-month high

above \$22.50. The pullback in the share price appears overdone, giving investors a chance to buy AQN stock at an attractive level.

Algonquin Power is buying Kentucky Power for US\$2.85 billion. The market seems to be concerned about the size of the deal and how Algonquin Power will ultimately pay for the purchase. The company has transaction financing in place to get the deal done, but the long-term funding is not yet concluded. Algonquin Power announced a \$800 million bought deal equity offering when it announced the acquisition and announced pricing on US\$750 million and \$400 million in subordinated debt offerings last month. More work needs to be done, but the company is making progress.

Upon completion of the Kentucky Power purchase, Algonquin Power will see its customer base jump by 19%. Regulated rate base assets will increase by 32% to US\$9 billion, bringing the regulated business mix to 80%. This is important, as it shifts Algonquin Power more to being a regulated utility stock than a renewable energy play. The non-regulated nature of renewable power revenues can make cash flow less certain.

Algonquin Power has a US\$12.4 billion capital program in place through 2026. Roughly 70% of the investments are targeted for the regulated services operations, and the other 30% is headed to renewable energy projects.

Management expects adjusted net earnings per share to increase at a compound annual rate of 7-9% from 2022 to the end of 2026. That's pretty good guidance and the cash flow growth should support steady dividend hikes that are at least in the same range.

Algonquin Power raised the dividend by 10% annually over the past decade. At the time of writing, the stock provides a 4.8% dividend yield.

The bottom line on top dividend stocks for a retirement portfolio

BCE and Algonquin Power pay growing dividends with above-average yields. If you have some cash to put to work in a self-directed retirement portfolio, these stocks deserve to be on your radar.

CATEGORY

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