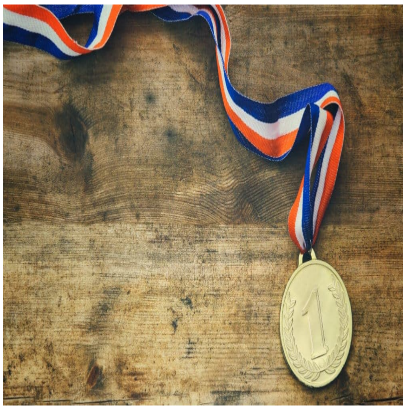

The 3 Best TSX Dividend-Growth Stocks to Buy in February 2022

Description

The best stocks for passive income are **TSX** dividend-growth stocks. Research has shown that companies that consistently and reliably increase their dividends generally outperform dividend stocks that don't. There are reasons for this.

There are many reasons to buy a dividend-growth stock today

Firstly, a steadily increasing dividend means that cash flows are likely increasing. A company cannot consistently increase its dividend, unless it has robust and growing streams of cash flow. They could finance dividends through equity, but that is not a sustainable model for long-term returns (i.e., rob Peter to pay Paul).

Secondly, a company can generally not keep raising its dividend if its balance sheet is not in good condition. If a company is burdened with debt obligations, it is a challenge to assertively grow cash flows, especially in a rising interest rate environment.

Lastly, growing dividends and growing cash flows indicate a stock has strong operations and growth. These are all qualities you want in an investment. Of course, they are not conclusive investment criteria. There are always many factors to consider. However, finding a stock with regularly increasing dividends is always a good start.

If you are looking for some top dividend-growth stocks on the TSX, here are three that look very attractive today.

TELUS

TELUS (TSX:T)(NYSE:TU) is a great staple to own in any Canadian's portfolio. For the past 10 years,it has grown its dividend on average by 8.7%. Since October 2020, TELUS has actually raised its dividend three times. Over that period, its quarterly dividend increased 12.4%. Today, this TSX stock pays a $0.3274 quarterly dividend, which equals a 4.25% annual yield.

This is one of the best telecom stocks to own in Canada. The company has been very prudent about how and where it allocates capital. Last year, it spent heavily to expand its fibre optic network. This should result in elevated free cash flow returns in 2022 and especially 2023. It also has attractive growth potential from its niche digital business verticals in IT, healthcare, and agriculture. This all could contribute to further dividend increases for this stock in the future.

Fortis: A legendary TSX dividend-growth stock

Another incredibly safe dividend-growth stock is **Fortis** (TSX:FTS)(NYSE:FTS). At $60 per share, it only yields a 3.6% dividend. While that may seem somewhat low, Fortis has consistently increased its dividend for 48 consecutive years. That is one of the best dividend track records on the TSX. It operates a diverse array of regulated electric and gas transmission assets that capture very predictable cash flow streams

Fortis is a stalwart stock that you hold as an anchor, especially in times of stock market volatility. It doesn't promise huge returns, but investors can expect nice cash flow and dividend growth in the range of 5-7% every single year for many years to come.

goeasy

The last TSX dividend-growth stock has a great history of dividend growth and strong total returns. Over the past 10 years, **goeasy** (TSX:GSY) has delivered a 2,683% total return to investors. That is a 39% compounded average annual return. Since 2016, it has grown its dividend on average by 32%.

Certainly, this TSX stock only pays a $0.66 quarterly dividend today. That only equals a 1.76% yield. However, the company is executing exceptionally well, as it builds out its non-prime lending platform across Canada. Most banks have exited this space, so goeasy has ample opportunity to take market share from here.

As the company grows, its financial risks are also reducing. This TSX dividend stock only trades for 12 times forward earnings. The combination of value, compounding growth, and income make this a very attractive stock today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TU (TELUS)

3. TSX:FTS (Fortis Inc.)
4. TSX:GSY (goeasy Ltd.)
5. TSX:T (TELUS)

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robbybrown