The 3 Best Canadian Dividend Stocks

Description

Macroeconomic and geopolitical concerns, including inflation, rising interest rates, and the Russia/Ukraine conflict, continue to hurt the stock market in 2022. Meanwhile, the pandemic in the background adds uncertainty.

Despite the uncertainty and increase in the number of headwinds, top-quality dividend stocks continue to deliver consistent income to their shareholders, implying one can generate a steady inflow of cash irrespective of market conditions.

With steady income in the backdrop, let's look at three Canadian stocks that have the potential to deliver reliable dividend for decades.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is one of the best dividend stocks listed on the TSX, and there are solid reasons for that. Its regulated assets generate predictable cash flows and support higher dividend payments. Further, its low-risk business remains relatively immune to economic cycles, allowing the company to enhance its shareholders' returns consistently.

Looking ahead, Fortis expects to grow its dividend by 6% annually through 2025. This seems achievable given the continued growth in its rate base. Notably, Fortis projects its rate base to continue to grow at a CAGR of 6% in the medium term, which would expand its high-quality earnings base.

Overall, Fortis's conservative business model, high-quality and diverse regulated businesses, continued rate base expansion, and visibility over future cash flows indicate that the company could continue to pay a regular dividend for decades. Moreover, its growing renewables capacity and opportunistic acquisitions bode well for growth.

Bank of Montreal

The reason **Bank of Montreal** (TSX:BMO)(NYSE:BMO) stock is on this list is due to its stellar dividend payment history and ability to grow its earnings consistently. For context, this financial services company has paid a regular dividend for continuous 193 years, which is the highest among all Canadian companies. Further, it has consistently increased its dividend over the past several years (its dividend has a CAGR of 4.3% in the last 15 years).

Further, Bank of Montreal recently hiked its dividend by 25%, and at current price levels, it offers a yield of 3.6%.

Bank of Montreal's diversified revenue streams, strong credit quality, and operating leverage could continue to drive its earnings. Meanwhile, higher loans and deposit volumes and rising interest rates will cushion its margins. Further, its solid balance sheet and low payout ratio suggest that its dividend is well protected.

TC Energy

Energy infrastructure company **TC Energy** (TSX:TRP)(NYSE:TRP) is another top investment to generate regular income irrespective of market conditions. Its regulated and contracted assets generate resilient cash flows that support higher dividend payments. For instance, TC Energy has paid and increased dividend for 22 consecutive years. Meanwhile, its dividend has a CAGR of 7%, which is attractive.

TC Energy recently announced a 3.4% hike in its dividend and projects a 3-5% annual increase in the future dividend. Further, it offers a lucrative yield of 5%.

Its high-quality assets, contractual arrangements, $24 billion in secured capital projects, and high utilization rate could continue to support its payouts. Furthermore, additional sanctioned projects and cost-saving measures will likely cushion its earnings and dividend.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:TRP (Tc Energy)
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