Love Dividends? 3 TSX Stocks to Count On

Description

Passive income, stability, hedge against inflation, and long-term capital appreciation make dividend stocks one of the most attractive investment options. So, if you love dividends, here are my top three picks that offer yields of at least 4.5%. Furthermore, these companies have increased dividends for more than a decade and could continue to grow them further. Let's begin.

Algonquin Power & Utilities

The conservative business mix and its strong dividend payment history make **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) stock attractive for income investors. Its rate-regulated assets and long-term contracts help the company generate predictable cash flows that drive its payouts. It raised the dividend at an annualized rate of 10% in the past decade. Moreover, Algonquin Power stock is yielding 4.6% at current levels.

It's worth noting that Algonquin Power, through its $12.4 billion capital program, remains well-positioned to bolster its shareholders' returns. Besides a strong investment pipeline, it projects its rate base to grow at a CAGR of 14.6% through 2026. This will expand its high-quality earnings base and drive its future payouts.

Algonquin Power expects its adjusted earnings to increase at a CAGR of 7-9% between 2022 and 2026, implying that its dividend could grow at a similar pace. Moreover, it targets a payout ratio of 80-90% of normalized earnings, which is sustainable in the long term.

TC Energy

Leading energy infrastructure company **TC Energy** (TSX:TRP)(NYSE:TRP) is another attractive investment for investors seeking reliable dividends. Its regulated and long-term contracted energy infrastructure assets generate predictable cash flows that drive its payouts.

TC Energy's consistently enhanced its shareholders' value and delivered an average annual return of

12% since 2000. Further, it has grown its dividend at a CAGR of 7% in the last 22 years and offers an attractive yield of 5%.

Its low-risk business (95% of EBITDA generated through regulated and long-term contracted assets), long-life assets, $24 billion of secured projects, high utilization rate, and energy transition opportunities augur well for future growth. TC Energy expects its adjusted EBITDA to grow at a CAGR of 5% through 2026. Furthermore, it projects future dividend to grow by 3-5% annually.

Overall, its low-risk business, high-quality asset base, solid investment pipeline, high dividend yield, and conservative payout support my bullish outlook and make TC Energy a reliable bet.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a must-have stock for income investors. Its robust dividend payment history (paid regular dividend for 67 years), solid dividend growth (CAGR of 10% in the last 27 years), and high yield (about 6% at current levels) make it a top investment to generate reliable passive income for decades.

Enbridge now expects to grow its distributable cash flow (DCF) per share by 5-7% annually in the medium term, which implies that its future dividend could grow at a similar rate. Its diverse cash flow streams, recovery in mainline volumes, strong demand, and ongoing momentum in the gas business position it well to consistently enhance its shareholders' returns.

Further, long-term contracts, inflation-protected revenue, and a solid capital program augur well for growth. Also, cost-saving measures, focus on renewables, and strategic acquisitions will likely drive its cash flows and future payouts. Its dividends are well protected, while its payout ratio of 60-70% is sustainable in the long run.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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4. TSX:AQN (Algonquin Power & Utilities Corp.)
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