3 TSX Dividend Stocks for Worry-Free Income Amid Volatility

Description

With the high volatility in the stock market and a continued selloff in high-growth names, it's prudent to transition towards stable dividend-paying companies. As dividend-paying companies are mature and have a strong earnings base, they are relatively stable and continue to return cash to their shareholders. Against this backdrop, here are my top picks to rely on.

Fortis

Shares of the utility company **Fortis** (TSX:FTS)(NYSE:FTS) have held strong amid the recent selloff in the equity market. Thanks to its low-risk, rate-regulated assets and steady cash flows, Fortis stock is up more than 6% on a year-to-date basis and has performed better than the broader index that is trading in the red.

Fortis's portfolio includes 10 regulated utility businesses that generate almost all of its earnings. Further, Fortis has delivered an average annual total shareholder return of about 13% in the past two decades.

With its solid rate base, focus on lowering carbon footprint, and strong capital plan, Fortis is well positioned to consistently enhance its shareholders' value.

Fortis has raised its dividend for 48 years and projects its rate base to increase at a CAGR of 6% through 2026. This implies that its high-quality earnings base will expand further and support future payouts. Fortis expects to grow its dividend by 6% per annum through 2025 and yields nearly 3.3%.

Overall, Fortis is a low-risk and top-quality investment option amid volatility.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is a leading energy infrastructure company that has handily outperformed the broader markets this year. Its stock is up about 21% this year and has a track record of consistently delivering solid shareholder returns. Its average annual return has stood at 13% since 2000. It raised its dividend at an annualized rate of 7% during the same period.

TC Energy's regulated and contracted assets generate steady and growing cash flows that support its growth and dividend payouts. It's worth noting that TC Energy generates about 95% of its adjusted EBITDA from the regulated and long-term contracted assets, implying that its payouts are well protected.

It expects to grow its EBITDA at a CAGR of 5% over the next five years. Furthermore, its $24 billion of secured projects, strong utilization rate, and energy transition opportunities will likely support its growth. Meanwhile, it projects 3-5% annual growth in its dividend in the coming years.

TC Energy's conservative business, growing asset base, steady cash flows, and high yield of 5.2% makes it an attractive investment.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) operates a conservative utility business that makes it immune to wild market swings. While shares of this power-producing company are slightly down this year, it has fared better than the broader markets.

Thanks to its regulated assets and long-term contracts, Algonquin Power stock has enhanced its shareholders' value through consistent dividend hikes. For context, Algonquin's dividend has had a CAGR of 10% in the last 11 years. Moreover, it yields about 4.9%.

Algonquin's $12.4 billion capital program positions it well to expand and drive its dividend payouts. It projects its rate base to grow at a mid-teens rate annually through 2026. Thanks to the growing rate base, it expects its earnings to increase at a CAGR of 7-9% during the same period.

Overall, its low-risk business, growing earnings base, and high yield make it a solid investment.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:FTS (Fortis Inc.)
6. TSX:TRP (TC Energy Corporation)

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snahata