2 Canadian Dividend Stocks to Buy and Hold

Description

The selling in the stock market has eroded a significant amount of shareholders' value in the first five months of this year. Moreover, the fear of an economic slowdown amid high inflation and rising interest rates, and geopolitical headwinds suggests that the volatility in the market could sustain for the second half of this year.

Against this background, it's prudent to generate steady income from stocks that have stable businesses, solid payout history, and are chugging along nicely, despite the heightened volatility in the market. Let's look at two such stocks.

Fortis

Amid high volatility in the market, investors should look at opportunities in the utility sector. Their regulated business and predictable cash flows enable them to generate consistent earnings and support dividend payments.

Within the utility sector, **Fortis** (TSX:FTS)(NYSE:FTS) is one of the safe stocks to buy. Its rate-regulated business generates predictable and steady cash flows that easily cover its payouts. Moreover, Fortis stock has remained stable this year due to its solid earnings base.

It's worth mentioning that Fortis operates 10 regulated utility businesses that account for 99% of its earnings. This indicates that Fortis's payouts are well protected. Thanks to its low-risk assets and solid cash flows, Fortis consistently returns cash to its shareholders irrespective of the market situation. Notably, Fortis has increased its dividend for 48 years and is well positioned to hike it further on the back of rate base growth.

Fortis projects its rate to reach $41.6 billion in 2026 from $31.1 billion in 2021. Its growing rate base will drive its earnings and dividend payments. Thanks to its solid and growing earnings base, Fortis expects to increase its dividends by 6% per annum through 2025. Meanwhile, it offers a yield of 3.4%.

Overall, Fortis's conservative business, solid earnings, and visibility over future payouts make it a top dividend stock for investors. Further, its focus on growing renewable power-generation capacity and opportunistic acquisitions are encouraging.

TC Energy

TC Energy's (TSX:TRP)(NYSE:TRP) rate-regulated and contracted assets account for 95% of its adjusted earnings, implying that its payouts are safe. This energy infrastructure company is a Dividend Aristocrat and has increased its dividend for 22 consecutive years. Meanwhile, its dividend has a CAGR of 7% during the same period.

TC Energy's high-quality asset base, strong energy demand, and positive pricing environment augur well for growth. Furthermore, its $25 billion secured capital program, energy transition opportunities, and cost-saving initiatives will likely cushion its earnings and cash flows.

Thanks to ongoing strength in its business, TC Energy is confident of funding its growth program and dividend payouts through internally generated cash. Moreover, it expects to grow its dividend by 3-5% in the future, which is positive. TC Energy's resilient cash flows, growing asset base, solid dividend payment history, and high yield of 4.9% support my bullish outlook.

Bottom line

Both these companies have a strong history of consistently paying and growing their dividends irrespective of the economic situation. Their rate-regulated assets, low-risk business, and growing asset base make them attractive and safe investments to generate regular income.

CATEGORY

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2. Investing

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