The Top 3 Most Reliable Dividend Stocks in Canada

Description

An earmark of a high-quality Canadian dividend stock is dividend growth. For a company to regularly pay a dividend, it needs to have a reliable and resilient business model. For a company to regularly grow its dividend rate, it needs to predictably grow its cash flows as well.

Reliable businesses produce reliable growing streams of dividends

Reliable businesses that earn predictable (and often growing) streams of cash flow include utilities (regulated rate base), infrastructure businesses (contracted pipelines), real estate (contractual rents), technology (recurring software as a service), or transportation businesses (railroads have competitive monopolies and strong pricing power).

If you want dividends with longevity, reliability, and growth, here are three of the best stocks in Canada.

Enbridge: A stock with 27 years of dividend growth

If you want an upfront, high-yielding dividend stock, **Enbridge** (TSX:ENB)(NYSE:ENB) is attractive. At $55.60, this stock earns a 6.4% dividend yield. That is the highest amongst the **TSX 60 Index**. For dividends, this is a high-quality stock. It has grown its dividend every year for the past 27 years.

Enbridge is an essential provider of transportation services for the North American energy sector. For context, 30% of oil liquids produced in North America move through its infrastructure at some point. 20% of natural gas consumed in the United States passes through its pipes.

Last quarter, distributable cash flow rose 8% to $2.7 billion, or $1.36 per share. That puts its payout ratio at 63%, which means its dividend should continue to be funded.

Enbridge has a large $9 billion capital program, and management expects that to accrete 5-7% cash flow growth for the next three years, at least. That should translate into attractive single-digit dividend growth for several years to come.

CN Railway: A stock with 26 years of dividend growth

Canadian National Railway (TSX:CNR)(NYSE:CNI) is another incredibly reliable blue-chip stock. This stock has raised its dividend consecutively by a compounded annual growth rate of 15% for the past 26 years! In the past five years, CN has returned over $15 billion to shareholders in the form of dividends and share buybacks.

Despite supply chain challenges in 2022, CN had a strong second quarter with earnings per share growing 30% to a record of $1.93. It continues to uphold a target of 15-20% adjusted earnings-per-share growth this year!

At $161 per share, this stock has a modest at 1.82% dividend. It has a very low payout ratio of 45%, meaning it has ample room to keep investing in growth, pay its dividend, and grow its dividend over time. For reliable capital and income growth, CN stock is a top long-term buy.

Fortis: 48 years of dividend growth

Fortis (TSX:FTS)(NYSE:FTS) has regulated transmission utilities across North America. Power and natural gas transmission and distribution are essential services. Consequently, Fortis captures extremely predictable streams of cash flows.

Fortis has one of the best dividend-growth track records in Canada. For 48 consecutive years, it has raised its dividend rate annually. At $58.90, this stock only yields a 3.64% dividend. However, its dividend-growth trajectory is expected to continue.

Fortis is pushing forward a $20 billion capital spending plan that is expected to grow its rate base from $31 billion today to $41.6 billion in 2026. That is expected to lead to average annual dividend-growth rate of 6% over that time. If you want low-risk, low-beta growth and income, Fortis is a top dividend stock in Canada.

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:FTS (Fortis Inc.)
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