2 Top TSX Dividend Stocks to Buy for Long-Term Dividend Growth

Description

Since the recent market downturn, dividend stocks may be the one bright spot in many investors' portfolios. The ability of dividend-paying companies to generate free cash flow during inflationary conditions and pass on this cash flow to investors is what makes these attractive plays.

Of course, rising interest rates do depress the value of the dividends these stocks provide. However, companies that have shown material dividend growth over time may provide protection against downside across dividend stocks more broadly.

Two such stocks I like in this environment are **Fortis** (TSX:FTS)(NYSE:FTS), and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). Here's why I think these are two top stocks capable of generating long-term upside for investors.

Dividend stocks to buy: Fortis

Fortis is one of the most prominent regulated electric and gas utility firms based in North America. The company holds a strong market position in the U.S., Canada, the Caribbean, and Central America.

Electric utility stocks have been investors' top choice, especially during choppy market conditions. This is because such companies generate stable cash flows, which provide generally high dividend yields. Fortis is certainly a great play, as the stock has a current dividend yield of 3.7%.

That said, it's Fortis's long-term track record of raising its dividend that has most investors excited. For approximately 48 years, Fortis hasn't missed the opportunity to raise its dividend each and every year. Thus, for those looking for some protection for their yield in this rising-rate environment, Fortis is a great choice.

Fortis also has robust plans to increase the utilization of renewable energy across its various networks. This will undoubtedly attract investors who have put their money into social and environmental stocks.

Considering the scale of its operations, Fortis is relatively small in size. This is evident because it has just 3.4 million customers. The small size of this company is not a negative factor, as Fortis features specific attractive characteristics. The most crucial of these characteristics is a stable cash flow.

Toronto-Dominion Bank

Another top dividend-growth stock I've been pounding the table on for years is TD Bank. This lender has pushed forward a customer-first focus, with relationship banking being one of the keys to its success. Additionally, in terms of technological adoption, TD is among the leaders in top Canadian banks.

The company's strong market position domestically is complemented by a very strong international presence. Outside Canada, TD is among the largest retail banks in the United States. Accordingly, investors get some nice geographical diversification holding this company.

TD's dividend of 4.1% is meaningful, even in this rising-rate environment. However, like Fortis, TD has raised its dividend (when possible) over the years. Despite having various freezes put in place by regulators over time, TD is among the most consistent dividend-growth stocks in the market.

Analysts expect TD could provide earnings-per-share growth of around 7.4% over the next three to five years. Thus, for those seeking long-term total return, this is a great option. The kicker is this stock is trading at only 11 times earnings, which is well below the market multiple right now.

In my view, a well-diversified portfolio holding one or both of these stocks can benefit from both a defensive posture and strong passive income over time. These two companies remain top picks of mine in this choppy market environment.

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Author
chrismacdonald