3 Stocks Just Raised Their Dividends: Are They Buys Today?

Description

One of the most anticipated times for investors is when their dividend stocks raise their dividends. These three dividend stocks just increased their dividends this month. Are they buys today? Let's take a look!

Dividend stock yielding 6.3%

Big Canadian telecom **BCE** (TSX:BCE) stock declared a dividend increase of 5.2% on February 1. This was a predictable hike, as the dividend stock's 10-year dividend-growth rate was exactly 5.2%. The dividend stock now offers a big dividend yield of close to 6.35%.

Because of its relatively high yield, BCE stock has long been viewed as an income vehicle for investors who need current income. However, neither its earnings nor free cash flow cover its dividend payments fully in the past year. A reduction in capital investments can boost its free cash flow to a safer level by next year.

However, at this moment, I wouldn't say its dividend is foolproof because of its extended payout ratio, slow growth, and a higher interest rate environment. That said, management seems inclined in maintaining its dividend-growth streak. Analysts believe the stock is fairly valued at about $61 per share. So, at best, the stock is a hold.

A bigger dividend at a 6.5% yield

Investors can get a bigger dividend with **TC Energy** (TSX:TRP) stock right now. Mostly, its big dividend is due to the 18% drop of the stock price from its peak in mid-2022. The dividend stock also maintained its dividend-growth streak by increasing its dividend by 3.3% on February 14. Like BCE, TC Energy is a Canadian Dividend Aristocrat. Specifically, it has increased its dividend for about 22 consecutive years.

The reasons for its stock decline include an oil spill and cost overruns on its Coastal GasLink project, which have triggered analysts to re-rate the valuation of the stock lower. At about $57 per share, analysts believe the stock is fairly valued. So, the stock is, at best, a hold.

Utility stock yielding 4.9%

In a higher interest rate environment, **Brookfield Renewable Partners** (TSX:BEP.UN) stock took a dive of about 28% from its 2022 peak. The dividend stock is a top renewable energy stock pick after its valuation has come down, given its diversification across renewable power technologies and geographies around the globe.

Importantly, it has a proven track record of growth with a backlog of projects across hydro, wind, solar utility, and distributed energy and sustainable solutions. A combination of value investing, operational expertise, and capital allocation can allow the company to achieve its target to deliver total returns of 12-15% on its investments as well as cash distribution growth of at least 5% per year.

Sure enough, BEP raised its cash distribution by 5.5% on February 2. At about $37 per unit at writing, the dividend stock yields close to 4.9%. The meaningful stock correction is a good opportunity to buy the undervalued stock. Analysts estimate it trades at a discount of about 28%.

Investing takeaway

Stocks that are able to increase their dividends healthily year after year become more valuable over time. If you buy them at good valuations, you should get nice long-term returns. Of the three dividend stocks discussed, Brookfield Renewable appears to be the best buy right now for the best risk-adjusted returns.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:TRP (TC Energy Corporation)

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