



Top Dividend Paying Stocks on the TSX

Description

In these days of low interest rates, investors are searching for better yields. But with higher yield comes higher risk. So it is essential to distinguish between those companies whose dividends are sustainable and those companies whose dividends are at risk of being cut. The table below lists the top 25 dividend paying stocks in the S&P/TSX Composite Index from the highest to lowest yield.

Company Name	Dividend Yield [Latest] (%)	Payout Ratio [LTM] (%)	Levered Free Cash Flow [LTM] (CADmn)
Lightstream Resources Ltd. (TSX:LTS)	12.9	NM	(552.9)
Just Energy Group Inc. (TSX:JE)	12.1	86.9	(218.9)
Reitmans Canada Ltd. (TSX:RET.A)	10.7	772.9	(24.9)
Dundee International REIT (TSX:DI.UN)	8.61	NM	
TransAlta Corp. (TSX:TA)	8.47	99.3	(245.9)
AGF Management Limited (TSX:AGF.B)	8.44	302.2	157.9
Veresen Inc. (TSX:VSN)	8.33	385.6	(35.9)

Atlantic Power Corporation (TSX:ATP)	8.03	NM	(238.
Norbord, Inc. (TSX:NBD)	8.0	16.7	153
Dundee REIT (TSX:D.UN)	7.72	35.4	261
Cominar REIT (TSX:CUF.UN)	7.69	35.7	141
Pengrowth Energy Corporation (TSX:PGF)	7.64	NM	108
Artis Real Estate Investment Trust (TSX:AX.UN)	7.54	39.7	63
Extendicare Inc. (TSX:EXE)	7.32	296.3	(13.
Bell Aliant Regional Communications Inc. (TSX:BA)	7.29	132.4	519
Canexus Corporation (TSX:CUS)	7.29	253.0	(101.
Crescent Point Energy Corp. (TSX:CPG)	7.12	NM	232
Canadian Oil Sands Limited (TSX:COS)	7.06	70.8	284
Freehold Royalties Ltd. (TSX:FRU)	7.0	171.7	48
Northland Power Inc. (TSX:NPI)	6.87	122.6	(201.
Crombie Real Estate Investment Trust (TSX:CRR.UN)	6.86	0	94
Bonavista Energy Corporation (TSX:BNP)	6.54	335.2	(23.
Wajax Corporation (TSX:WJX)	6.48	97.7	(29.
H&R REIT (TSX:HR.UN)	6.34	37.1	431

Enerplus Corporation (TSX:ERF)	6.33	NM	(133.
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Source: Capital IQ

No doubt, there are some attractive yields in this table, but not all dividends are created equally. This is why we've included the payout ratio, which compares the company's dividend payout to its earnings, as well as levered free cash flow. Levered free cash flow is the free cash generated by the company after interest is paid out, and is essentially the pot of money from where dividend cheques are born.

Profiled below are some of the more appealing names in the above list as they combine a lofty yield, with an attractive payout ratio as well as positive free cash flow. These metrics help indicate a degree of sustainability for this attractive yield.

One of the names that jumps off the list is **Norbord** (TSX: NBD) and its healthy dividend yield of 8.0%. And based on its payout ratio of only 16.7% and levered free cash flow of \$153.5 million, this yield looks to be quite sustainable as things stand. Norbord is a producer of OSB, or oriented strand board, which is a less expensive substitute for plywood. The company is expected to continue to benefit from the fact that OSB is taking market share from plywood. It is also expected to continue to benefit from the housing recovery in the U.S.

With a dividend yield of 7.7% and levered free cash flow of \$262 million, I feel good about the sustainability of **Dundee REIT's** ([TSX: D.UN](#)) dividend. The payout ratio (dividend divided by earnings) is also reasonable, at 35%. Cash flows from REITs are relatively predictable, and Dundee has a stable, well-diversified portfolio of high quality assets.

Cominar REIT (TSX: CUF.UN) is also currently yielding a healthy 7.7%, with a levered free cash flow of \$142 million. Cash flows generated by REITs are predictable so this dividend also appears sustainable. And Cominar is a stable REIT that has been reducing its debt level recently. The thing to worry about with the REITs is that any increase in interest rates will negatively affect the stock price.

With a dividend yield of 7.5%, a payout ratio of 40%, and levered cash flow of almost \$64 million, **Artis REIT** ([TSX: AX.UN](#)) is also attractive. Once again, we have the predictability of cash flows generated from REITS that make the dividend sustainable.

Bell Aliant's (TSX: BA) dividend yield of 7.3% also looks sustainable, although the company's payout ratio is greater than we would like, at 132%. But levered free cash flow is robust at almost \$520 million, and this should take it through until the time that the company's roll out of FibreOP begins to impact the bottom line.

Bottom Line

In the list of the 25 stocks with the highest dividend yields, many do not appear able to cover their dividend as their payout ratios exceed 100%. There are however a few intriguing opportunities that are worth a closer look. It's important to consider however that investors who wish to buy REITs in order to benefit from their attractive yields must be aware of the fact that when interest rates rise, [the price of the REITs are very likely to fall.](#)

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Fool contributor Karen Thomas does not own shares in any of the companies mentioned. The Motley Fool does not own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AX.UN (Artis Real Estate Investment Trust)
2. TSX:D.UN (Dream Office Real Estate Investment Trust)

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Author

karenjennifer

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