



## 3 Big Dividend Yields From Canada's 60 Largest Listed Companies

### Description

Dividends that are sustainable even in protracted macro-economic and/or market downturns tend to be paid by the most established companies with solid market share and strong balance sheets. These are among Canada's largest listed companies forming part of the **S&P TSX 60**, and have dividend payments that are less than 100% of their total net income.

A key reason for dividend investing is to construct a stock portfolio aimed at delivering a regular sustainable income stream, which continues to appreciate in value while delivering a rate of return in excess of the risk-free rate. Typically when investing for income, investors should focus on the long term and I have used the yield of 2.3%, on 10-year Canadian government treasuries as the risk-free rate.

Let's take a closer look at three companies that should form core holdings in any income-focused portfolio.

### **This oil sands player remains a firm favourite among dividend investors**

The largest investor in the Syncrude oil sands project is **Canadian Oil Sands** (TSX: COS) and it continues to be a favourite among income hungry investors with its juicy dividend yield of 6%. Not only does it pay a yield almost as high as **Crescent Point Energy's** (TSX: CPG)(NYSE: CPG) monster 6.3%, there are also signs it is far more sustainable, with a payout ratio of 81% compared to Crescent Point's 607%.

However, Canadian Oil Sands continues to deliver a solid margin or netback over \$50 per barrel, of \$52.02, underscoring the profitability of its crude production. This coupled with solid industry wide fundamentals including higher crude prices bodes well for Canadian Oil Sands to grow cash flow, further ensuring the sustainability of its dividend.

### **Canada's largest telco continues to pay a monster yield**

Telecommunications companies certainly no longer possess the once wide economic moat they had with industry deregulation and growing technology reducing the barriers to entry. But **BCE Inc** ([TSX: BCE](#))

)([NYSE: BCE](#)) still possesses an impressive economic moat by way of its dominant market share across a range of products and services in the Canadian telecommunications industry.

More impressively for investors, it pays one of the highest dividend yields in the S&P TSX 60 at 5% coupled with a sustainable payout ratio of 95%. When considered in conjunction with its economic moat and better than expected domestic economic growth, the company's cash flow and profitability will continue growing. And it further reinforces the sustainability of the dividend, with the potential for more dividend hikes over the long term.

### **It is clear why Canada's oldest telco remains a favourite among investors**

Canada's oldest telco, **Rogers Communications** ([TSX: RCI.B](#))([NYSE: RCI](#)), remains a favourite among investors with a tasty dividend yield of 4.4% and a very sustainable payout ratio of 58%. When all of this is considered in conjunction with Rogers' dominant position in the wireless telecommunications sector, the company is well positioned to maintain this yield.

Even more promising is Rogers' commitment to expanding its wireless networks, which has seen it boost its spectrum and range of premium wireless mobile services. This is translating into firm results for the company with first-quarter 2014 wireless revenue growing by 10% compared to the same quarter in 2013. Furthermore, by the end of the quarter, high value smartphones made up 76% of postpaid subscribers, boding well for further revenue growth.

All three companies offer investors tasty dividend yields, which are significantly greater than the risk-free rate of return, coupled with the certainty offered by investing in large Canadian companies. Each has an economic moat protecting their market share and solid growth prospects, with a payout ratio of less than 100% highlighting the sustainability of the dividend.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:RCI.B (Rogers Communications Inc.)
5. TSX:VRN (Veren Inc.)

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