The 5 Biggest Dividend Payers of the S&P/TSX Top 60

Description

These five companies currently lead the pack of the **S&P/TSX Top 60** in terms of paying dividends with large annual yields. At first this may seem like a good reason to buy these stocks — after all, historically, dividend-paying companies outperform their non-dividend paying counterparts — but as we will examine here, there is more to it than yield when it comes to picking a good dividend paying stock. The most important fact to consider is if these companies will be able to continue to paying these dividends, or are they coming at too high of a cost.

1. Canadian Oil Sands Ltd.

Canadian Oil Sands Ltd. (TSX:COS) pays a large dividend, with a 19% annual yield, but given the company's status as the largest partner in Syncrude, a Canadian oil sands project with expensive operating costs, I would be concerned about the fate of this massive dividend. In fact, recently National Bank said that it expects that Canadian Oil Sands is the energy producer most likely to cut its dividend next.

2. Crescent Point Energy Corp.

Crescent Point Energy Corp.'s (TSX:CPG)(NYSE:CPG) current annual dividend yield is 9.90%. The company recently slashed its 2015 budget, and when announcing the new budget the company's chief reported the dividend will be maintained, saying that cutting it would be a "last resort". For that reason we can be fairly confident that Crescent Point will maintain its dividend at the current rate, unless of course the pain in the oil sector gets even worse.

3. TransAlta Corporation

TransAlta Corporation's (TSX:TA)(NYSE:TAC) stock has been on the downward trajectory since 2011, as the company has disappointed on a number of fronts, including revenues. Falling revenues are bad news for dividends. The company cut its dividend one year ago today, and it looks like that for now the dividend is safe, with the company having enough free cash flow to fund dividends.

One possible threat to TransCanada's dividend, however, is the current state of oil prices. TransAlta provides power to many of the oil companies in Alberta, and if low prices mean these oil companies idle production, then TransAlta can expect to lose some business and revenue.

The current annual yield on the company's dividend is 6.67%.

4. ARC Resources Ltd.

ARC Resources Ltd. (TSX:ARX) is another energy company working to cutback costs amid the slump in energy prices. The company recently reduced its 2015 budget by 15% and announced an agreement to sell approximately 15.5 million common shares at $22.55 per share to raise gross proceeds of approximately $350 million to reduce debt. Even with the cuts, the company is maintaining its 2015 production guidance. No dividend cuts have been announced, but if the pain in the oil sector gets worse we can't discount the potential. The current annual dividend yield is 5.5%.

5. Pembina Pipeline Corporation

Although it is an energy company, **Pembina Pipeline Corporation** (TSX:PPL)(NYSE:PBA), with its annual dividend yield of 4.62%, is somewhat sheltered from the drop in oil. That is because the company provides mid-stream services including transport (pipelines), gathering, processing, and storage of natural gas and oil. The company provides these services to oil companies for a fee. While the company is sheltered from direct exposure to commodity prices, decreased demand for energy is a factor in the current price collapse, therefore Pembina will still feel some effects, although not as significant as companies directly involved in oil. Therefore, for an energy company with a high dividend yield, Pembina is a much safer investment in the current climate.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TAC (TransAlta Corporation)
3. NYSE:VRN (Veren)
4. TSX:ARX (ARC Resources Ltd.)
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