3 Top Stocks to Buy With Dividend Yields Above 5%

Description

Dividend stocks have historically outperformed other forms of investments, but the best dividend stocks aren't necessarily the ones with the highest yields. While a high yield is great, it might not prove to be safe if the underlying company's business isn't strong enough to support growing dividends. With that in mind, here are three great dividend stocks yielding 5% or higher that you can consider today.

Russel Metals Inc. (TSX:RUS)

The dire state of commodity markets poised huge challenges for metals distributor and processor Russel Metals, but the company has remained profitable, having earned net income worth $40.1 million during the nine months ended Sept. 30, 2016.

Better yet, Russel generated free cash flow (FCF) worth almost $285 million during the trailing 12 months. As Russel paid out only about one-third of its FCF in the trailing 12 months and has raised its dividends for five straight years, there's plenty of room for dividends to grow even further.

Meanwhile, Russel's growth prospects are looking better after Donald Trump's win as the president-elect and OPEC's proposed oil production cut. These events have triggered hopes of a revival in infrastructure and oil and gas spending, both of which are vital to Russel's growth. The best part is that despite its 26% rally since the election results, Russel is trading incredibly cheap at five times price-to-cash flow.

That's a bargain given Russel's growth potential and 5.9% dividend yield.

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN)

As a regulated utility and renewable energy company with primary assets based in the U.S., Algonquin would be just another boring utility story if not for the just-completed $3.2 billion acquisition of Empire District Electric Company.

This deal is a potential game-changer as it'll double Algonquin's generating capacity and expand its regulated operations, which should mean more stable revenues and earnings going forward. Algonquin expects the acquisition to boost its earnings and funds from operations per share by an average 7-9% and 12-14%, respectively, in the next three years.

But here's the real deal: Algonquin is targeting 10% annual growth in dividends for the next five years. That growth combined with Algonquin's 5% dividend yield make the stock an incredible pick for income investors today.

Superior Plus Corp. (TSX:SPB)

As one of Canada's premier distributors of propane and specialty chemicals, Superior Plus's revenues depend more on volumes than oil prices, which is why the company has been free cash flow positive in nine out of the last 10 years, even as oil and gas producers struggled to maintain cash flows.

Superior Plus has planned a twofold approach for growth: it will strengthen its core energy-distribution business via acquisitions while de-commoditizing its portfolio through differentiation.

Management gave us a glimpse of its aggressive growth goals by bidding for **Canexus Corporation** for $932 million recently. The deal might have failed to pass regulatory hurdles, but investors can expect Superior Plus to chase other growth opportunities. For one, it is reportedly eyeing **Gibson Energy Inc.'s** propane business.

I believe these growth efforts combined with solid cash flows should help Superior Plus maintain a dividend payout between 40% and 60% and dividend yields around 5% in the near future.

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