Dividend Investors: 3 TSX Stocks With Shockingly High Yields

Description

Are you an income-oriented investor looking for high-yield stocks that can fill your RRSP or TFSA with cash for years to come?

If so, you've got no shortage of options to choose from.

At the moment, the **TSX** abounds with high-yield dividend stocks, some of which yield well north of 5% with impeccable payment histories. Although ultra-high yields can sometimes call into question the sustainability of a company's dividend, that needn't necessarily be the case. **Fortis**, for example, has raised its dividend for 46 straight years, even in years when its yield was extremely high.

In this article I'll be exploring three high-yield TSX stocks with excellent dividend payment records. These stocks have yields that in other instances might cause you to worry about their sustainability, but have actually been maintained or even increased over the years. I'll start with one well-known energy stock that has been upping its payout by 17% a year on average–and already yields 5.91%.

Enbridge

Enbridge Inc (TSX:ENB)(NYSE:ENB) is Canada's largest energy pipeline company. It transports crude oil and LNG to customers in Canada and the U.S. through a 17,000-mile system.

Over the past five years, Enbridge's shares have been beaten down due to the weakness in the oil sector. When oil crashed in 2014, it drove earnings at many production and exploration companies lower, as they depend on strong oil to turn profits.

However, Enbridge itself has actually increased its net income from $1.4 billion to $2.8 billion in that time span. As a pipeline company, Enbridge makes money off toll fees rather than a percentage of oil sales, so it's less vulnerable to oil price swings than are exploration/production companies.

The end result of the oil crash was that Enbridge was tarred by association with its under-performing sector while actually performing well financially. So while the stock fell, its yield got extraordinarily high while management increased the payout by 17% annualized over five years.

Inter Pipeline

Inter Pipeline Ltd (TSX:IPL) is another pipeline company beaten down with the 2014 oil crash even as it posted fairly respectable results. From 2015 to 2018, the company’s net income grew from $427 million to $592 million, which powered steady dividend increases.

From 2014 to 2019, the dividend increased from approximately $0.09 to $0.142. The dividend today is even higher than it was in 2013 before the oil crash.

Similar to Enbridge, Inter Pipeline is less vulnerable to oil price swings, as it charges fees based on distance rather than earning a cut of oil revenue. To be sure, in extreme cases there may be pressure on pipelines to cut their fees when oil is exceptionally weak.

However, pipeline fees are considerably lower than crude-by-rail fees, which oil & gas exporters seem more than happy to pay. So, Inter Pipeline’s earnings should be fairly safe even if oil prices never recover. On that note, the company’s steady dividend increases have resulted in a whopping 7.97% yield!

Emera

Emera Inc (TSX:EMA) is a utility stock whose dividend yields 4.7% at current prices.

Like Fortis, it earns money by supplying power to customers across North America and in a few Caribbean countries.

Utilities are generally extremely stable businesses because of their indispensable services. Heat and light are among the last things people would cut out of their budgets, even in a recession. As a result, utility stocks can keep pumping out earnings in good times and bad.

Emera’s stock hasn’t been a huge gainer over the years, with its capital gains having lagged behind those of Fortis. One consequence of this, however, has been a very high dividend yield. Not only does Emera yield 4.7%, but the payout has been rising over time.

Since 2013, Emera’s quarterly dividend has risen from $1.4 to $2.35 annualized. That’s a fairly substantial increase for a six year period, and the company’s payout ratio is still only 70%. So, you get a high yield and dividend growth potential in one package when you buy EMA.

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