



3 Top Canadian Dividend Stocks With Yields Over 5%

Description

Dividend stocks with high yields continue to be an attractive option for income investors. As dividend yields are inversely proportional to the stock price, a high yield might indicate that the stock is undervalued and trading at a cheap valuation, providing investors with an opportunity for capital appreciation as well.

TransAlta Renewables

Shares of **TransAlta Renewables** ([TSX:RNW](#)) are trading at \$18.15 at writing. The stock has gained 50.6% in the last year compared to the **S&P 500** gains of 20.6%. Despite this impressive bull run, TransAlta Renewables has a forward dividend yield of 5.2%.

The company operates over 30 renewable energy facilities in Canada, Australia and the United States, generating over 2,400 megawatts of power annually.

TransAlta is part of the utility business, a recession-proof segment, making it one of the best defensive picks for investors.

TransAlta is expected to increase sales by 5.1% in 2020 while earnings are expected to rise by 9.7% this year. The stock is trading at a forward price-to-earnings multiple of 23, which might be expensive given the company's growth metrics. As stated earlier, it's one of the safest bets in a sell-off.

Analysts tracking TransAlta Renewables have a 12-month target price of \$16 which is 12% below the current trading price.

Canadian Imperial Bank of Commerce

The **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) is one of the top Canadian stocks to bet on. It has underperformed the broader markets in the last year, but with a juicy dividend yield of 5.3%, CIBC is one of the best buys for dividend investors.

CIBC is one of the top five banks in Canada with a market cap of \$48.6 billion. It provides personal and corporate banking services to individuals and businesses. In fiscal 2020, analysts expect company sales to grow 3.4% to \$19.25 billion, while in 2021 sales are estimated to rise by 4.3% to \$20 billion.

Comparatively, earnings are estimated to grow by 0.7% in 2020 and 4.2% in 2021. CIBC stock is trading at an attractive forward price to earnings multiple of 8.7.

It has [increased dividend payments](#) by 30% over the last five years and with a payout ratio of 50% can continue to keep doing so in the upcoming quarters.

Enbridge Inc.

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) is a domestic stalwart and has been a solid wealth creator for investors over the years. It has been one of the top-performing Canadian large-cap stocks since the start of 2019.

Enbridge stock has gained over 30% since 2019 and the company has a forward dividend yield of 5.9%. Enbridge stock is trading at a forward price to earnings multiple of 19 and analysts expect company earnings to fall by 1% in 2020 and then rise 9.1% in 2021.

The company can easily increase dividend payouts going forward as it [expects distributable cash flow per share](#) to grow at an annual rate of 5% and 7%. Last year, its distributable cash flow rose 21% to \$9.2 billion.

Enbridge is part of an industry which has high entry barriers and regulations. It has pumped in billions of dollars in capital expenditure which in turn will drive top-line growth over the next few years.

The company's stable cash flows, strong balance sheet and growth prospects make it a solid long-term buy.

CATEGORY

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TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:ENB (Enbridge Inc.)
5. TSX:RNW (TransAlta Renewables)

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Date

2025/09/01

Date Created

2020/02/24

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