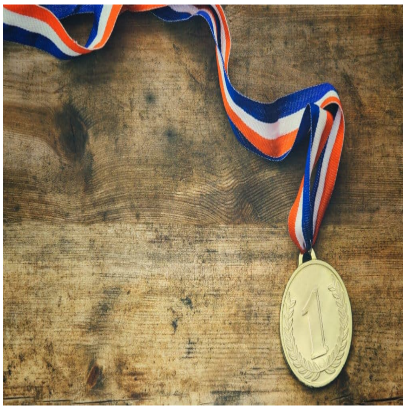

2 Solid TSX Income Stocks to Buy Right Now!

Description

The recent crash in TSX stocks has created some attractive long-term income opportunities. Now, not all sectors and stocks are good buys, but if you're not afraid of a little risk, you can grab some great-yielding stocks. Here are two solid companies that yield over 6% and are great buys today.

Take advantage of ESG trend

The first company is **TransAlta Renewables** (TSX:RNW). This TSX stock has rebounded considerably since its March lows, but I still think it is a buy. RNW owns 44 renewable power facilities in Canada, the U.S., and Australia. Its assets are mostly a mix of wind power and natural gas, but it also has exposure to hydro and solar. All of RNW's assets are contracted with an average contract life of 11 years. Its counterparties include investment-grade companies like **Microsoft** and government-grade utilities like Ontario Power.

I like this stock for a number of reasons. First, of the top TSX renewable stocks, RNW is yielding the highest at 6.4%. Most of its peers yield 4% or less. Low interest rates and demand for ESG investments have given the sector increasing popularity. I don't see this trend stopping any time soon.

Second, although RNW hasn't grown its dividend in two years, its particular expertise in wind power should create prospects to grow. Large companies and municipalities are steadily looking to make clean energy a core source of power, and that bodes well for RNW.

Cash in with this TSX stock

Presently, management sees a 2,000 MW pipeline of developmental/acquisition opportunities. RNW has significantly lower leverage than its peers, giving it great financial flexibility to pursue these acquisitions. From **TransAlta** (its sponsor) alone, RNW could take over potentially $500 million of renewable assets.

While the growth potential is still to be seen, the company's dividend is well funded with a payout ratio of 85%. If you are an income investor, this stock will pay you consistently and generously while you wait for the growth to take place.

TSX REIT stocks are cheap

The second TSX stock that is an intriguing buy is **Dream Industrial REIT** (TSX:DIR.UN). Of these two picks, it is riskier, but it also has significantly more upside.

DIR owns 26 million square feet of single and multi-tenant industrial properties across Canada, the U.S., and Europe. When the TSX collapsed in March, DIR's stock also fell off a cliff, losing 50% at its lows. It has rebounded by 30% but still trades at a very attractive price and yields 7.5%.

Fortunately, DIR is better positioned as a company than it has ever been. Since 2018, the REIT has geographically diversified its asset mix, focused on higher-quality markets (like Toronto and Montreal), and reduced leverage from 43% (net debt-to-asset ratio) to 24%.

Obviously, the major concern right now is what impacts the coronavirus crisis will have on its tenants and rents. Management has yet to publicly state any negative concerns. In a business update in March, DIR indicated that it is sitting on a cushy $441 million of cash and an extra $150 million of additional liquidity. That is nice advantage right now.

With a wide mix of over 1,000 different small and large tenants, there is the risk that some tenants could face financial difficulties and request rent deferrals or temporary abatements. DIR could face some temporary pain in its next few quarters, but I think overall, it will be minimal.

Buy for the long term

Dream Industrial has a good management platform, a strong balance sheet, and the financial and operational capacity to cope with some challenging quarters. Plan to buy Dream Industrial with grit, patience, and a long-term perspective, and you could see this stock easily outperform the TSX over the long run.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DIR.UN (Dream Industrial REIT)
2. TSX:RNW (TransAlta Renewables)

PARTNER-FEEDS

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