
Income Investors: 2 Dividend Stocks for a Yield up to 8%

## Description

Low interest rates earn savers close to nothing when we account for inflation. With dividend stocks, the story can be vastly different. For example, currently, **Enbridge** (TSX:ENB)(NYSE:ENB) and **Capital Power** (TSX:CPX) provide massive yields of 7-8%.



Let's explore the ideas.

# Enbridge stock yields 8%

Enbridge is the largest North American energy infrastructure company with a far-reaching network that transports and stores oil and gas across the continent.

The industry leader provides, for its clients, low-cost access to the best North American and export markets. Not surprisingly, it transports approximately 25% of North America's crude oil and delivers roughly 20% of the natural gas in the U.S.

Additionally, its gas distribution business has about 3.8 million metre connections in Ontario, which is a good province to operate in.

Enbridge's essential services continue to operate through the COVID-19 period, allowing it to generate resilient cash flow to maintain its juicy yield of 8%.

The stable dividend stock would be worth about $55 per share in a normal market environment. Therefore, it trades at a meaningful discount of roughly 27% with medium-term upside prospects of roughly 37%.

Investing $10,000 in Enbridge will generate passive income of about $806 per year for starters. Let's not forget that it also tends to grow its dividend, as it has been doing this for more than two decades!

Going forward, Enbridge estimates to grow its distributable cash flow per share by roughly 5-7% per year. So, it's possible for it to grow its dividend in that range as well.

## Capital Power stock yields 7%

The first thing you'd notice about Capital Power is that it offers a big yield of about 7.15%. The power company is a constituent of the **iShares S&P/TSX Capped Utilities Index**.

Seeing as the **iShares S&P/TSX Capped Utilities Index ETF** yields only 3.5%, an interested investor may ask why Capital Power offers a yield that's double that of the ETF. It turns out that the utility has a meaningful exposure to Alberta, from which it generates close to 46% of its EBITDA.

However, the power producer has reduced risk by contracting much of its EBITDA. Specifically, roughly 83% of its adjusted EBITDA is contracted, including 29% of EBITDA from Alberta, 28% from the U.S., and 26% from other parts of Canada.

Additionally, it has hedged 91% of the Albertan baseload generation for the rest of the year in mid-$50/MWh, which is greater than the forward price of $48/MWh.



Investing $10,000 in Capital Power will generate an initial annual income of approximately $715. Notably, though, the utility is a young Canadian Dividend Aristocrat with a dividend-growth streak of six years. Its five-year dividend-growth rate of 7.2% per year is impressive, too.

Capital Power reaffirmed its 2020 outlook and plans to grow its dividend by 5-7% per year through 2022. This suggests that the stock could deliver total returns of about 13% per year through 2022, excluding any multiple expansion. Analysts think the stock is undervalued by about 20%.

## The Foolish takeaway

Low interest rates have reduced interest income for Canadians. As a result, some are forced to explore the higher-risk stock market for greater income.

Both Enbridge and Capital Power offer above-average income immediately. What's more to like is that the shares are discounted, and they expect to increase their dividends over the next few years.

Still, investors should research deeper in the companies to decide if they're suitable for their investment portfolios.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
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**TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CPX (Capital Power Corporation)
3. TSX:ENB (Enbridge Inc.)

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