7% Low-Risk Yield! Lap Up These 2 Dividend-Paying Stocks Now

Description

As interest rate hover around record lows, get hold of stocks that consistently pay dividends and are offing high-yields. Of course, there is an element of risk involved with investments in stocks. However, few **TSX** companies operate a low-risk business, have a long history of consistently increasing their dividends and luckily are yielding over 7%.

Here are two such TSX stocks that can be termed as a proxy for a fixed deposit (thanks to their low-risk business) and offer steady and high yields.

Enbridge

Enbridge's (TSX:ENB)(NYSE:ENB) low-risk and diversified business enables it to generate strong adjusted EBITDA across all market cycles. For instance, its adjusted EBITDA improved by about 3% in the most recent quarter despite lower mainline throughput amid lower oil prices. Its resilient cash flows continue to support its payouts, implying its high-yield of 7.5% is safe.

With the increase in economic activities, Enbridge's mainline volumes could show sequential improvement in the second half of 2020. Besides, its take-or-pay contracts and cost of service arrangements further reduce the downside risk.

Enbridge's other businesses are steady and are generating consistent cash flows, thanks to the reservation-based revenue contracts, power-purchase agreements and incentive framework.

Over the last 25 years, Enbridge's dividends have increased at a compound annual growth rate (CAGR) of over 11%, which is impressive. Meanwhile, its dividend growth rate accelerated from 2008, reflecting a compound annual growth rate (CAGR) of 14%.

Enbridge's resilient cash flows indicate that the company could continue to boost shareholders' returns through higher dividends in the coming years. Besides, the pullback in its stock implies that investors could also expect a healthy capital appreciation in the long run along the way.

Pembina Pipeline

With a forward yield of 7.2%, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) is another top stock to bet on for reliable dividend income. Though the weaker global energy demand has taken a toll on its top and bottom line and led management to halt any more dividend hike in 2020, its dividends are pretty safe.

Pembina's underlying business is highly contracted, and the company generates strong fee-based cash flows. Similar to Enbridge, cost-of-service and take or pay contracts back its EBITDA and drive its cash flows.

Moreover, its payouts are not dependent on businesses that have direct commodity exposure. What it means is that Pembina covers its payouts through fee-based distributable cash flows, implying that future payouts are safe.

The company expects to generate strong cash flows from operating activities, which mostly comes from fee-based contracts, to cover its near and long-term obligations and fund its dividends**.**

With its stock down over 27% year to date and a high-yield of 7.2%, Pembina is a top long-term stock for growth and income.

Bottom line

Investors should note that the recovery in both these energy stocks could take a bit of time due to the uncertain economic outlook. However, the dividends of both these stocks are safe, thanks to their highly-contracted business.

Investors should note that a $10,000 investment in any of these stocks can fetch you a dividend income of over $700 in a year.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

TICKERS GLOBAL

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2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ENB (Enbridge Inc.)
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