



## 3 Large-Cap Dividend Stocks Yielding up to 8.7% to Buy for October

### Description

It's been a forgettable year for companies in the energy sector. The COVID-19 pandemic resulted in an oversupply of crude oil while the price war between Saudi Arabia and Russia dragged prices lower. These factors exacerbated the sell-off in energy stocks with several companies slashing or suspending dividends altogether.

However, there are a few companies that have managed to stay the course amid the market volatility. We'll look at three large-cap dividend stocks on the TSX that have been able to sustain dividend payouts, making them attractive bets for income investors given the correction in stock prices.

### An energy infrastructure giant

When it comes to Canadian dividend stocks, it is difficult to ignore **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). The energy infrastructure giant is trading 30% below its 52-week high, which means its forward yield is 8.2%.

Enbridge is a Dividend Aristocrat and has increased payouts at an annual rate of 11% in the 25 years. The company has a huge portfolio of oil logistics infrastructure and natural gas assets that account for 80% of EBITDA. The rest is generated from its natural gas utility business and renewable power facilities.

Enbridge claims 98% of its revenue is generated from fee-based or regulated contracts and its diversified portfolio will allow the company to create a predictable stream of cash flows. It expects to increase distributable cash flow between 5% and 7% through 2022.

Enbridge's strong balance sheet and low payout ratio make it an extremely attractive dividend stock for Canadian investors.

### Canadian Natural Resources is yielding 7.9%

**Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) is one of the biggest oil producers in Canada. It has been severely impacted by COVID-19 and [reported a loss of](#) \$310 million with revenue of \$2.87 billion in the June quarter. In the prior-year period, CNQ reported sales of \$5.56 billion and a net profit of \$2.8 billion.

Despite the ongoing weakness, the company increased its dividends by 13% in March, its 20th consecutive year of a dividend increase. CNQ stock is down 48% year to date, which means it has a forward yield of 7.9%.

CNQ claims its low-cost structure will help it navigate a low commodity price cycle. Its adjusted funds flow in Q2 stood at \$415 million, while its capital expenditures stood marginally higher at \$421 million.

Canadian Natural Resources ended Q2 with a cash balance of \$4.1 billion and increased its term facility to \$1 billion. CNQ needs U.S. [crude oil benchmark to average](#) \$31 a barrel to support capital spending as well as its dividend. The crude oil prices are around US\$40 right now, which makes the company a safe bet right now.

## A pipeline heavyweight

The third stock on the list is **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)), a company that pays you a monthly dividend. Pembina stock is trading at \$28.87, which indicates a forward yield of a tasty 8.7%.

Similar to Enbridge and Canadian Natural Resources, Pembina also has a strong dividend history. It has been paying a monthly dividend since 1997 and has increased payouts at an annual rate of 5% since 2011.

Pembina is a pipeline company with a strong financial profile and generates 90% of earnings from fee-based contracts. Further, 80% of these agreements are with investment-grade counterparties. The company has a conservative payout ratio, which, coupled with strong liquidity and stable cash flows, will help it sustain dividends in 2020 and beyond.

## The Foolish takeaway

While dividend payments are not a guarantee, the three energy companies have shown they can survive the ongoing downturn. An investment of \$5,000 in each of these companies will generate over \$1,200 in annual dividend payments.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:PBA (Pembina Pipeline Corporation)

4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:ENB (Enbridge Inc.)
6. TSX:PPL (Pembina Pipeline Corporation)

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