Got $1,000? These High-Yield Stocks Could Continue to Hike Dividends

Description

The elevated uncertainty amid a resurgent virus raises concerns over the reliability of the high dividend yields of some stocks. However, a few companies with relatively stable cash flows give confidence that their payouts are safe, and their dividends are likely to increase in the coming years.

So, if you've got $1,000 and plan to invest in companies offering high and stable dividend yields amid a historically low interest rate environment, consider buying these stocks.

TC Energy

Despite the significant volatility in global energy markets, **TC Energy** (TSX:TRP)(NYSE:TRP) continues to deliver stable cash flows, reflecting its business's resiliency. The company's assets have remained largely unimpacted, despite the disruption from the pandemic, with its utilization levels remaining at par with historical and seasonal norms.

The regulated and long-term, contracted nature of its portfolio keeps TC Energy insulated from the volatility related to volume throughput and commodity price and supports its cash flows and dividend payouts.

TC Energy's dividends are growing at a CAGR (compound annual growth rate) of 8-10% since 2015. Moreover, the company expects its dividends to increase at a similar rate in fiscal 2020. Further, TC Energy forecasts a 5-7% increase in dividends beyond fiscal 2021, thanks to its resilient business.

As of now, the company's regulated or contracted assets generate about 95% of its comparable EBITDA and cushion its bottom line and payouts, despite the volatility in volume throughput and commodity prices.

Investors should note that the company is advancing well with its $37 billion secured capital program. Once completed, about 98% of its adjusted EBITDA is likely to come from rate-regulated or long-term contracted assets. Moreover, it placed over $3 billion of assets into service in the first three quarters of 2020. All these capital projects are underpinned by long-term contractual arrangements and should help in generating predictable earnings and cash flows.

With a quarterly payout of $0.81 per share, TC Energy offers a reliable and high dividend yield of 6.2%.

Capital Power

Capital Power (TSX:CPX) is another reliable bet, offering a very high dividend yield. Capital Power pays a quarterly dividend of $0.51 per share, translating into a high dividend yield of about 7%.

The utility company's payouts are very safe thanks to the regulated nature of its portfolio of assets. The company's revenues and adjusted EBITDA are growing at a brisk pace and supporting its dividend payouts. During the last reported quarter, Capital Power announced a 6.8% hike in its dividends, reflecting its seventh consecutive annual increase.

Thanks to its regulated business and predictable cash flows, Capital Power expects a 7% increase in its dividends for 2021. Moreover, it projects a 5% growth in its dividends for 2022.

Bottom line

Despite the challenges from the pandemic, these high-yield companies continue to generate robust cash flows that ensure that their payouts are safe. Further, improved visibility over earnings and dividends boosts my confidence in these stocks.

Investors eyeing high yields with minimal risk could consider buying the shares of TC Energy and Capital Power. Their resilient business could continue to cushion earnings and drive growth.

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