2 TSX Stocks for Dividends up to 10% in November 2020

Description

Investors can get decent income of about 5-10% from these two dividend stocks. Additionally, both can also deliver respectable price appreciation over the next few years.

Nutrien

Nutrien (TSX:NTR)(NYSE:NTR) is the world's largest fertilizer producer and the largest potash producer. Its three main crop nutrients are nitrogen, potash, and phosphate. Its trailing 12-month revenue was nearly US$19.5 billion.

On Monday, the company reported its third-quarter (Q3) results. In the first nine months of the year, its sales improved by 1% to US$16,807 million. It took a non-cash impairment of US$823 million for the quarter that reduced its earnings. The impairment was primarily associated with its long-term outlook of lower phosphate prices. Consequently, its net income of US$143 million was 86% lower year to date.

The strength of the business is better illustrated by its year-to-date adjusted EBITDA of US$2,899 million, which declined 14% year over year. It also generated free cash flow of US$1,634 million, down 19%.

It looks like investors will need to be more patient with this name. Nutrien estimates to report 2020 adjusted earnings per share of US$1.60-$1.85 and adjusted EBITDA of US$3.5-$3.7 billion. Based on the company's earnings estimates, its payout ratio is stretched at just under 105%.

Thankfully, on a closer look at Nutrien's free cash flow generation, its dividend is protected. Its trailing 12-month payout ratio was under 70% based on its free cash flow generated.

The stock currently yields close to 4.7% based on a quarterly dividend of US$0.45 per share. The dividend stock can recover to the $70 level over the next few years, which represents upside potential of more than 38%.

Keyera

As an energy infrastructure company, **Keyera** (TSX:KEY) has been quite resilient in the energy space. In Q3, its gathering and processing business was negatively impacted by a six-week unplanned outage at its Wapiti gas plant as well as lower gas-processing volumes. Its liquids infrastructure operations remain resilient.

On Tuesday, the company reported its Q3 results. In the first nine months of the year, it generated operating cash flow of $571.7 million, down 15% year over year. It was able to preserve capital by reducing its capital spending by 37% compared to the period a year ago.

Funds from operations were up 18% to $654.6 million. The distributable cash flow (DCF) is the key metric, as Keyera pays dividends from it. Keyera managed to increase its DCF by 29% to $585.5 million.

Its DCF per share increased by 30% to $2.66, resulting in a payout ratio of 54% for the period, despite boosting its dividend per share by 5.1%. It’s also good to see that Keyera’s adjusted EBITDA also remained stable by rising 3% to $705.4 million.

Currently, the stock yields 9.9% based on its monthly dividend of $0.16 per share. The dividend stock can recover to the $30 level over the next few years, which represents upside potential of more than 55%.

Notably, CEO David G. Smith is scheduled to retire at the end of the year. President Dean Setoguchi will take over the role. Keyera’s decent balance sheet and integrated business should allow it to continue being a relatively defensive investment in the energy space.

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