2 High-Yield Dividend Stocks That Are Cash Cows

Description

Has the COVID-19 pandemic ruined your financial goals? To some investors, 2020 is a typical, not extraordinary, investing year. These people don't find the environment difficult because of cash cows in their stock portfolios.

You, too, can be unmoved by implementing a dividend reset. **Enbridge** (TSX:ENB)(NYSE:ENB) and **SmartCentres** (TSX:SRU.UN) are dividend monsters if you need to bump your income. The average yield of nearly 9% and a $25,000 investment in each can generate $4,450 in extra income.

The coronavirus is on its second wave, so it would help to add more financial cushion in case lockdowns return. Likewise, the current share prices are good entry points, because both are trading at a 27% discount.

Cash cow #1

Enbridge, North America's largest energy infrastructure company, has been the perennial pick of dividend investors and retirees for years. The stock trades at $35.82 per share and pays a fantastic 9.05% dividend. Its total return over the last 20 years is 671.85%.

The $72.54 billion company is also Canada's largest natural gas distributor. It distributes to 3.7 million customers in New Brunswick, Ontario, Quebec, and New York. However, Enbridge is known best for its extensive network (192,000 miles) of natural gas and NGL pipelines across North America and the Gulf of Mexico. The core assets are pipelines and in utilities.

Enbridge is not an oil producer, but it provides integrated transport services to key energy supply basins and demand markets. Cash flows are stable and robust, because the long-term contracts are with investment-grade customers. The main attraction is that revenue is insulated, if not free, from volume and price risk.

Cash cow #2

SmartCentres is one of Canada's largest, fully integrated real estate investment trusts (REITs). The real estate stock pays a hefty 8.77% dividend, and the current share price is $21.10. This REIT is underperforming, although the total return over the last years is an incredible 6,300.091%.

This $3.58 billion REIT is hurting during the pandemic. It owns a best-in-class portfolio of income-producing assets, except that the pandemic badly hurts the retail space. Still, SmartCentres continues to show resiliency due to the 115 **Walmart**-anchored centres (70% of total properties).

As anchor tenant, Walmart is driving traffic to other stores. Since approximately 60% of rental revenues come from retail tenants operating essential businesses, rent collections are stable. The challenges the REIT faces are daunting, but it will not defocus management from pursuing its long-term strategy.

SmartCentres has over 256 projects in the mixed-use development pipeline. In the post-pandemic and completion of some within the next five years, cash flow and recurring income should substantially increase.

Moneymakers

Would-be investors in Enbridge and SmartCentres should be aware of the risks. Sometimes, companies will slash yields to protect the balance sheet or preserve capital. Thus far, there are no indications of an imminent dividend cut from either.

Enbridge continues to work towards a more regulated asset mix to reduce future risks. Meanwhile, SmartCentres is concentrating on its intensification program that includes rental apartments, senior residences, and storage facilities. The pair are excellent moneymakers to own in Q4 2020 and beyond.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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