3 Top TSX Stocks to Buy With Dividends Yielding More Than 6%

Description

With interest rates being low, it's wise to switch to dividend-paying stocks offering high yields. Notably, a few TSX stocks are offering yields above 6%. Further, these Canadian companies have paid dividends for about 20 years and generate strong cash flows, suggesting that their payouts are safe and sustainable in the long run.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) offers an annual yield of over 7.5%, implying a $10,000 investment in its stock at the current price levels will generate an income of $751/year, or $62.6/month. It has paid dividends in the last 66 years and increased the same at a CAGR (compound annual growth rate) of 10% in the last 26 years.

Enbridge's low-risk business model and assets across gas distribution and storage, gas transmission, renewable power, and liquids pipelines business positions it well to capitalize on the long-term energy demand support its robust dividend payout.

On average, Enbridge expects 5-7% annual growth in its DCF (distributable cash flow) per share through 2023 and beyond, implying that it could continue to boost its shareholders' returns through increased dividends in the coming years. Further, the company maintains its dividend-payout ratio of 60-70% of DCF, which is sustainable in the long term.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) has paid dividends since 1998 and has increased the same at a CAGR of about 4% over the past decade. Its stock offers an annual dividend yield of 7.4%. Moreover, its low-risk and highly contracted business generate resilient fee-based cash flows that drive its dividend payments.

Its contracted assets have cost-of-service or take-or-pay or arrangements, eliminating the risk of short-term volatility in volume and pricing. Its payout ratio (60% of adjusted cash flow) is sustainable in the long run.

I believe Pembina Pipelines's diverse and integrated assets, balanced exposure to multiple commodities, highly contracted business, and stable cash flows position it well to maintain and increase its dividends in the coming years. Moreover, improving volumes and commodity prices, secured and deferred growth projects, and a growing backlog augur well for future growth.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) has paid and raised its dividends at a CAGR of 7% in the last 21 years and offers a stellar yield of 6.3%. Recently, it hiked its annual dividends by 7.4% and expects to increase it by 5-7% in the future.

Its solid dividend payments are backed by its high-quality, regulated and contracted assets. Notably, its business remains relatively immune to the economic cycles and operates at high utilization levels. Further, the company generates about 95% of its comparable EBITDA from the regulated and contracted assets, suggesting that its payouts are safe and sustainable in the long term.

TC Energy is advancing well on its $20 billion secured capital program, which lays the foundation for high-quality earnings growth in the coming years. The company has placed $5.9 billion worth of its growth projects into service and secured a $2.1 billion worth of new projects, which bodes well for future growth. On average, TC Energy has delivered a total shareholder return of about 12% annually in the last two decades and could continue to deliver double-digit returns in the coming years.

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2. NYSE:PBA (Pembina Pipeline Corporation)
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