3 Top Energy Dividend Stocks to Buy in March 2021

Description

Investing in companies that are part of the energy sector comes with its own set of challenges for income investors. The volatility in energy prices has caused several companies to slash or entirely suspend their dividends in the past. Amid the COVID-19 pandemic, multiple firms took this route to cut losses and improve liquidity as well as cash flow.

However, there are companies in this space that are immune to the prices of crude oil or commodity prices. We'll look at three such dividend-paying giants trading on the TSX that should be on the radar of value and income investors.

Enbridge has a forward yield of 7.35%

When it comes to dividend-paying companies, it is difficult to look past **Enbridge** (TSX:ENB)(NYSE:ENB). This Canada-based energy heavyweight has increased dividends at an annual rate of 10% since 1995. Trading at a price of $45.4, Enbridge stock has a forward yield of a healthy 7.35%.

Despite the impact of COVID-19, Enbridge increased dividends by 3% recently. Further, the company is optimistic about increasing cash flows at an annual rate of between 5% and 7% through 2023, which means investors can expect increases in dividend payouts in the future as well.

Enbridge's gas transmission and distribution verticals are regulated and help the company generate a stable stream of cash flows across business cycles. Its liquids pipelines are also fully utilized due to the limited capacity available to transport oil from Canada's oil sands.

Enbridge continues to invest heavily in capital expenditure projects, which help to increase cash flows over time.

Pembina Pipeline has a forward yield of 6.9%

Another top dividend stock on the TSX is **Pembina Pipeline** (TSX:PPL)(NYSE:PBA). It is an energy infrastructure company with a forward dividend yield of 6.9%. In Q4 of 2020, Pembina reported sales of $3.44 billion compared with $3.12 billion in the prior-year period. Its adjusted operating cash flow also increased marginally year over year.

Energy markets are expected to extend their recovery through the end of this year and into 2022. Further, as the global economy rebounds, Pembina is expected to see an improvement in demand from energy companies that use its pipelines to transport oil.

The company's cash flows are backed by its contracted assets that allowed it to grow dividends at an annual rate of 4% in the last decade.

Now, Pembina's management has also announced plans to repurchase shares of up to 5% of its outstanding common stock in the next 12 months.

TC Energy has a dividend yield of 6%

TC Energy (TSX:TRP)(NYSE:TRP) has been one of the best dividend-paying companies on the TSX. It has increased payouts for 21 consecutive years and recently announced a 7.4% increase in dividends for 2021.

TC Energy is confident of growing its dividends in the next few years due to its durable business model. The company has proved its resilience in 2020, despite the underlying turmoil in the energy sector.

It generated $9.4 billion in EBITDA last year, which was just $15 million lower when compared to 2019. Its comparable funds generated from operations rose 4% to $7.4 billion in 2020.

TC Energy pays 40% of its cash flow in dividends, allowing it to reinvest 60% on expansion projects. Its strong balance sheet allows the company to derive additional funding capacity to invest in expansion projects as well as inorganic growth.

The Foolish takeaway

If you invest $5,000 in each of these dividend-paying giants, you can generate over $1,000 in annual dividends. This payout is bound to increase over time given the stability of earnings and cash flows for these pipeline companies.

CATEGORY

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:TRP (Tc Energy)

4. TSX:ENB (Enbridge Inc.)
5. TSX:PPL (Pembina Pipeline Corporation)
6. TSX:TRP (TC Energy Corporation)

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