3 Top Dividend Stocks to Buy Right Now!

Description

When it comes to earning a passive-income stream, it makes sense to invest in dividend-paying stocks. Here, investors have the opportunity to generate a steady stream of cash flows as well as derive returns via long-term capital gains. Further, investors can either withdraw these dividends payouts or reinvest them and benefit from the power of compounding.

Let's look at three dividend-paying companies that have a forward yield of over 4%.

Bank of Nova Scotia

Banking stocks were under the pump in the last year, as investors were worried about a rise in delinquency rates following COVID-19. Canada's unemployment rates soared to a multi-year high, and shares of **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) fell 33% in just over a month.

Canada lowered interest rates in order to offset lower consumer spending and boost the liquidity of enterprises. However, this also impacted the profit margins of BNS and its peers. The Justin Trudeau government pumped in billions of dollars to revive the Canadian economy. It also paid residents up to $2,000/month in multiple federal benefits, which meant loan defaults for banks were significantly lower than expected.

BNS stock has gained over 40% in the last year. Despite these explosive gains, the stock has a forward yield of 4.6%. In the fiscal first quarter of 2021, BNS stock reported earnings of $2.4 billion, or $1.88 per share. Its bottom line grew 30% on a sequential basis and 3% year over year.

Capital Power

Next on the list is **Capital Power** (TSX:CPX), a stock with a forward yield of 5.7%. While the power generation company provides a tasty dividend payout, it has more than doubled its share prices in the last five years as well.

The Edmonton-based company develops, owns, acquires, and operates power-generation facilities in North America. Capital Power has a portfolio of low-risk and diversified power-generating assets that help it deliver stable cash flows across economic cycles.

The company hiked dividends at an annual rate of 7% since 2014 and it forecasts similar growth this year as well. Capital Power also expects to increase dividends by 5% in 2022.

Capital Power is valued at a market cap of $3.9 billion indicating a forward price-to-sales ratio of 2.24 and a price-to-earnings multiple of 20, which is reasonable given its expected to grow earnings at an annual rate of 15% in the next five years.

Enbridge

It is almost impossible to ignore Canada's energy giant **Enbridge** (TSX:ENB)(NYSE:ENB) when you are looking at dividend-paying companies. Enbridge has managed to increase dividend payouts for 26 consecutive years. Since 1995, it has increased dividends at an annual rate of 10%.

Currently ENB stock has a forward yield of a juicy 7.5%. The company's contract-based business model insulates it from volatility in commodity prices. This allowed Enbridge to generate predictable cash flows and maintain dividend payouts, even when oil prices were spiraling downward in the first half of 2020.

The company continues to invest heavily in expansion projects, which will help it increase cash flows going forward and support growth in dividends too.

Analysts tracking ENB stock have a 12-month average target price of $51.63 indicating an upside potential of 15% from current levels. After accounting for its dividend yields total returns might be around 23% in the next year.

CATEGORY

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CPX (Capital Power Corporation)
5. TSX:ENB (Enbridge Inc.)

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