2 Top Canadian Dividend Stocks I'd Buy With $100

Description

If you are eyeing higher yields and stable dividend income, consider buying the shares of **Enbridge** (TSX:ENB)(NYSE:ENB) and **Pembina Pipeline** (TSX:PPL)(NYSE:PBA). These Canadian Dividend Aristocrats have consistently boosted their shareholders' returns through higher dividend payments. Meanwhile, their resilient cash flows and good growth prospects suggest that both these companies could continue to hike their dividends at a decent rate in the future. Also, their payout ratio is sustainable in the long run, indicating that their high yields are safe.

Notably, you can invest in these top Canadian dividend stocks for less than $100.

Enbridge

Enbridge has a consistent track record of delivering superior shareholders' returns through capital appreciation and higher dividend payments. It paid a dividend for over 66 years and increased it by a CAGR (compound annual growth rate) of 10% since 1995. Despite challenges amid the pandemic, Enbridge announced a 3% hike in its annual dividends and is offering a stellar yield of 7.2%.

Looking ahead, I expect Enbridge to consistently hike its annual dividends on the back of solid growth in its free cash flows. Its distributable cash flow (DCF) per share is projected to increase by 5-7% annually in the future, indicating that its dividends could grow at a similar pace in the coming years.

Enbridge remains well positioned to benefit from the economic expansion. I believe the steady recovery in its mainline throughput, the strong growth outlook for its gas transmission business, rate base growth in the gas utility business, and strength in the renewable business are likely to drive its future EBITDA and free cash flows. Meanwhile, a $16 billion diversified secured capital program with a take-or-pay and cost-of-service framework further strengthen my bullish outlook on Enbridge stock.

Pembina Pipeline

Pembina Pipeline has paid $9.5 billion in dividends since 1997. Meanwhile, it has maintained and grown its dividends at a healthy pace over the past several years. To be precise, Pembina Pipeline's dividends have grown at a CAGR of 4.9% in the last decade. Further, the company offers a juicy yield of over 6.7%.

Pembina's robust dividends are backed by its highly diversified and contracted assets. The company generates solid fee-based cash flows that drive its dividend payments and has strong investment-grade secured counterparties.

Pembina's exposure to multiple commodities, fee-based and take-or-pay framework, an uptick in energy demand, and a significant backlog of growth projects suggest that the company could deliver strong cash flows in the coming years. Further, operating leverage, secured projects, and a sustainable payout ratio imply that Pembina Pipeline has strong downside protection and could continue to boost its shareholders' returns through higher dividends. Pembina stock is also trading at a lower valuation than its peers and offers a good buying opportunity at current levels.

Final thoughts

Both these companies have a rich history of dividend payments. Further, Enbridge and Pembina have also been increasing their dividends for a long time. I believe the steady improvement in the economy and the continued momentum in their core business will position both these companies to deliver stellar free cash flows and drive their dividend payments.

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2. NYSE:PBA (Pembina Pipeline Corporation)
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4. TSX:PPL (Pembina Pipeline Corporation)

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