



5 Canadian Dividend Stocks With Yields Over 5%

Description

Dividends enhance the overall returns of shareholders. Equally important is the dividend yield. For instance, a healthy dividend yield reduces the overall payback period. However, before you chase dividend yield, remember to look at the company's earnings-growth potential and check whether its payouts are sustainable in the long run.

We'll focus on five such Canadian companies that have uninterruptedly paid and raised dividends and have strong earnings-growth potential. Furthermore, these companies have a sustainable payout ratio and are yielding over 5%.

Capital Power

With its contracted cash flow profile, **Capital Power** ([TSX:CPX](#)) is a reliable dividend stock offering over a 5% yield. Capital Power has increased its dividend by a CAGR of 7% since 2013. As for 2021 and 2022, it projects a 7% and 5% growth in its dividend. Furthermore, Capital Power targets a sustainable payout ratio of 45-55% of its adjusted funds from operations (AFFO).

Its highly contracted and diversified portfolio of power-producing assets, accelerated growth in renewables, developmental projects, and strategic acquisitions position it well to deliver 10-12% total shareholder returns in the long term.

Canadian Utilities

With its strong history of increasing its dividend for 49 years in a row, **Canadian Utilities** ([TSX:CU](#)) is a perfect stock to consistently generate a growing inflow of cash. The company's rate-regulated and long-term contracted assets account for most of its earnings and drive higher dividend payments.

Canadian Utilities offers a yield of over 5%, which is very safe. Meanwhile, its regulated and highly contracted asset base indicates that its dividend could continue to grow at a decent pace. Moreover, its focus on adding new growth platforms and cost reductions augur well for future growth.

TC Energy

TC Energy's ([TSX:TRP](#))([NYSE:TRP](#)) regulated and contracted assets and higher asset utilization rate has helped the company consistently deliver high-quality earnings and drive its [dividend payments](#). It grew its dividend at a CAGR of 7% in the last two decades and offers a solid yield of 5.8% at current price levels.

Thanks to its growing asset base, the company projects 5-7% growth in future dividends. I believe TC Energy's robust developmental pipeline and \$20 billion secured capital program position it well to deliver strong cash flows.

Pembina Pipeline

Pembina Pipeline's ([TSX:PPL](#))([NYSE:PBA](#)) diversified and highly contracted assets provide a solid base for [dividend growth](#). It has paid dividend since 1998. Furthermore, Pembina's dividend increased at a CAGR of approximately 5% in the past decade.

The energy infrastructure company offers a dividend yield of 6.4%, which is very safe. Meanwhile, its payout ratio (72% of the fee-based distributable cash flow) is sustainable in the long run. Its contracted assets, higher volumes and pricing, expense management, and new growth projects are expected to drive its earnings and, in turn, its dividend.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a top stock for investors looking for a regular inflow of dividend income and high yield. The company has paid dividend for more than 66 years and increased it at a CAGR of 10% from 1995 to 2021. It currently offers a very high dividend yield of 6.9%, which is safe. At the same time, its payout ratio is sustainable owing to its diversified cash flow streams and continued strength in the core business.

I believe Enbridge's contractual framework, \$17 billion secured capital program, recovery in mainline volumes, and growth opportunities in the renewables suggest that Enbridge is likely to generate strong distributable cash flows and deliver a higher dividend.

CATEGORY

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1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:TRP (Tc Energy)
4. TSX:CPX (Capital Power Corporation)
5. TSX:CU (Canadian Utilities Limited)
6. TSX:ENB (Enbridge Inc.)
7. TSX:PPL (Pembina Pipeline Corporation)
8. TSX:TRP (TC Energy Corporation)

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