2 High-Yield Canadian Dividend Stocks to Buy Now

Description

Dividend investors are searching for top Canadian high-yield stocks to add to their TFSA and RRSP portfolios. Let's take a look at two industry leaders to see why they might be good stocks to buy for a self-directed dividend fund.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications company with a current market capitalization of $58 billion. The business tends to perform well in all economic conditions. Phone and internet services are essential for individuals and businesses. When times get tough, households will cut several other discretionary expenses before they axe the satellite TV or streaming subscription.

As a result, BCE's revenue stream tends to be resilient when the Canadian economy hits a rough patch. That being said, the pandemic impacted certain areas of BCE's operations over the past year. BCE's media group saw a drop in advertising revenues, as companies cut ad spending to protect cash flow. In addition, travel bans put a big dent in lucrative roaming fees in the mobile business.

These should be short-term issues. BCE's Q2 2021 results indicate that ad spending is already on the rebound. Once the border fully reopens, roaming fees should bounce back.

BCE generates strong free cash flow and the company has the balance sheet strength to make the needed investments in fibre optic and 5G networks to meet future demand for wireline and wireless broadband services. Revenue growth won't shoot the lights out, but it should be steady and provide the free cash flow required to support the generous dividend.

BCE is a good defensive stock that offers an attractive payout. Investors who buy BCE now can pick up a 5.5% yield.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is typically viewed as an oil pipelines business, but its natural gas transmission, gas utility, and renewable energy divisions will likely drive the bulk of future revenue growth. The company already transports 20% of the natural gas used in the United States and its natural gas utility operations serve millions of Canadian homes and businesses.

Enbridge has a market capitalization of roughly $100 billion. This gives it the flexibility to make strategic acquisitions to boost growth. Consolidation is expected to continue in the energy infrastructure industry as existing pipeline assets become more valuable due to the challenges faced in getting large new projects approved and built.

Enbridge's current capital program is on track to put $10 billion of new assets into service in 2021. In the Q2 2021 earnings report the company said it expects to deliver 5-7% distributable cash flow growth through 2023. Dividend increases should be in the same range.

The board raised the payout for 2021, despite a slowdown in throughput on the oil pipelines last year. As gasoline and jet fuel demand recover in the next 12 months the oil pipeline operations should return to normal volumes.

The stock appears attractive at the current price near $49 per share and provides a solid 6.8% dividend yield.

The bottom line

BCE and Enbridge are leaders in their respective industries and deserve to be anchor holdings today in a self-directed TFSA or RRSP focused on high-yield stocks.

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