2 High-Yield TSX Stocks to Buy Amid Low Interest Rates

Description

The central banks around the world have kept interest rates lower to fuel economic growth. However, lower interest rates have made debt instruments unattractive for conservative investors seeking steady returns.

Thus, amid a lower interest rate environment, dividend stocks offering high yields seem to be an attractive investment to generate a steady cash inflow. Let's focus on two such dividend-paying companies that are offering high yields at current price levels. It's worth noting that these companies have resilient cash flows, are paying and growing dividends for a very long time, and have sustainable payout ratios.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) stock offers a high dividend yield of 6.6%, which is safe. My optimism over its payouts stems from its long history of dividend payments. For instance, Enbridge has been paying dividends for more than 66 years in a row. Furthermore, the energy infrastructure company has increased its annual dividend by a CAGR (compound annual growth rate) of 10% in the last 26 years.

While the Delta variant of the COVID-19 continues to pose challenges for the energy sector, Enbridge's diversified assets and contractual framework suggest that the company will likely deliver strong distributable cash flow (DCF) per share and could continue to grow its dividend at a decent pace over the next several years.

Enbridge's $17 billion secured capital program adds visibility over its future cash flows and will likely generate incremental EBITDA to support dividend payments in the coming years. Meanwhile, continued momentum in the core business, recovery in mainline volumes, and growth opportunities in the renewable power segment will likely drive its earnings and cash flows. Furthermore, it announced the acquisition of Moda Midstream Operating, LLC, which is likely to boost its EBITDA, DCF/share, and earnings. Overall, Enbridge is one of the top investments for investors seeking steady income and high yield.

Pembina Pipeline

Like Enbridge, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) is another top stock in the energy space offering high yield and reliable payout. Pembina Pipeline offers monthly dividend and is yielding 6.3% at current price levels. It has paid $10.1 billion in dividend since inception in 1997. Furthermore, it has increased dividend at a CAGR of 4.9% in the past decade.

Pembina Pipeline's dividend payouts are driven by its highly contracted business that generates robust fee-based cash flows. Its long-term contracts have a take-or-pay or cost-of-service arrangement that reduces volume risk. Further, its payout ratio stood at 72% of the 2020 fee-based distributable cash flows, implying that its payouts are safe and more than covered.

Looking ahead, I expect Pembina's diversified and contracted assets to deliver strong cash flows. Furthermore, backlogs, new growth projects, and higher volumes and pricing will likely to drive its adjusted EBITDA and support higher dividend payments.

Bottom line

Enbridge and Pembina have a long track record of paying and growing their dividends. Both these companies have diversified assets and generate resilient cash flows that support their higher dividend payments. I believe investors looking for high yields amid lower interest rates could consider investing in these stocks at current price levels.

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