



These 2 TSX 60 Components Have Dividend Yields Over 6%

Description

Companies that generate more cash than actually required often distribute these profits to shareholders via dividends or buybacks. A dividend yield is expressed as a percentage of a stock's trading price. So, if a company pays investors a dividend of \$5 per share each year, and its share price is \$100, the dividend yield will be 5%.

If the dividend payout remains consistent but the stock price falls to \$80, the forward yield increases to 6.25%. So, a high dividend yield can be a sign of an undervalued stock. Alternatively, it can also be a value trap in case the company's fundamentals are weak. Similar to most other ratios, the dividend yield should not be viewed in isolation.

Keeping these factors in mind, we'll look at two TSX stocks in **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) and **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) that [have dividend yields](#) of more than 6%, at the time of writing.

Enbridge is a Dividend Aristocrat

A Canada-based diversified energy infrastructure company, Enbridge is also one of the largest companies on the TSX. It operates natural gas utilities, oil and gas pipelines, as well as renewable energy facilities. Its base of cash-generating assets has allowed Enbridge to offer investors a forward yield of 6.5%.

Despite volatile commodity prices over the years, Enbridge has increased dividends at an annual rate of 10% in the last 26 years. Investors can expect this growth to continue moving forward, as the company expects cash flow per share to increase between 5% and 7% in the near term.

The improvement in cash flow metrics will be on the back of expansion projects outlined by Enbridge that include pipeline expansions as well as acquisitions of offshore wind farms in Europe. The global shift towards renewables will also benefit Enbridge, as it's looking to expand its clean energy portfolio, which currently accounts for 4% of earnings.

The majority of Enbridge's cash flows are supported by long-term contracts, allowing the energy giant to pay dividends across business cycles. We can see that the company's sustainable dividend-payout ratio, strong financials, and wide economic moat position Enbridge to keep paying investors a tasty yield in 2021 and beyond.

Pembina Pipeline has a yield of 6.1%

A [midstream company](#) that primarily operates in the western region of Canada, Pembina Pipeline stock provides investors a forward dividend yield of 6.1%. Pembina had around 32 million barrels-equivalent of storage capacity as of September, and the company has the capacity to transport over three million barrels of hydrocarbons each day.

Midstream companies such as Enbridge and Pembina are largely not impacted by fluctuations in commodity prices due to a contract-based business model. However, high commodity prices influence production numbers positively, enabling companies that transport, store, and refine these products to derive additional revenue.

While several energy companies cut or suspended dividend payments in 2020 due to a steep fall in oil prices, Enbridge and Pembina were one of the few companies to maintain or even increase these payouts. Pembina, in fact, generates 94% of its income from fee-based contracts, allowing it to increase dividends at an annual rate of 4.9% in the last decade.

CATEGORY

1. Dividend Stocks
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2. NYSE:PBA (Pembina Pipeline Corporation)
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Date

2025/08/22

Date Created

2021/10/12

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