3 Canadian Stocks to Earn Dividend Yields Over 5%

Description

The dividend yield is the annual dividend amount a company pays as a percentage of the current stock price. If a company pays $5 in annual dividend and its stock price is $100, its dividend yield is 5%. However, even dividend stocks have risks. The dividend yield is inversely proportional to the stock price. Hence, be wary of stocks that pay high dividend yields, as it could be because the stock price has dipped significantly.

Which dividend stock to buy the dip?

How do you understand if the stock is worth buying on the dip? Dividends are directly proportional to the company's cash flow. When a stock price falls, find out why and if it will affect the company's cash flows for the long term.

For instance, when the pandemic closed all non-essential retail stores, it severely affected the rent collection of retail REITs.

Hence, **RioCan REIT** stock price almost halved between February and May 2020. The REIT cut its dividend by 33% in December 2020 and has not yet increased it. Its peer **SmartCentres REIT** (TSX:SRU.UN) maintained its dividend throughout the pandemic thanks to its high exposure (25% of gross rent) to **Walmart.** SmartCentres even increased the dividend by 2% in 2022. Two years later, SmartCentres stock has returned to pre-pandemic levels, whereas RioCan stock still trades at a 13% discount to the February 2020 level. While both stocks are good, returns are higher for SmartCentres's investors.

Three Canadian dividend stocks

I have identified three Canadian dividend stocks that pay dividend yields over 5% and are buys at any dip.

- **Keyera** (TSX:KEY)

- **BCE** (TSX:BCE)(NYSE:BCE)
- SmartCentres REIT

Keyera stock

When seeking good dividend stocks, midstream oil and gas companies are good fits. Keyera is one of the largest pipeline infrastructure companies, with 4,400 kilometres of pipeline, and it holds interests in 12 active gas plants in Alberta. It is constructing the KAPS pipeline project, which is expected to start operations early next year.

The company earns toll money from Western Canadian energy companies for allowing them to use its pipelines. Around 70% of its cash flow comes from fee-for-service or take-or-pay contracts, helping maintain stable cash flows. With every new pipeline, its cash flow increases, and so does its dividend. Keyera has increased its dividend at a compounded annual growth rate (CAGR) of 7% since 2008. It did not cut dividends during the pandemic, when most oil stocks slashed dividends, which shows its strong balance sheet.

Keyera stock is trading 14% below its pre-pandemic level at the time of the writing. You can lock in a 6.23% dividend yield. Any developments in the Russia-Ukraine tension could impact oil and gas prices and indirectly impact Keyera's stock price in the short term. It is a stock to buy now and on any dip in the short term.

BCE stock

Another regular cash flow-generating segment is telecom infrastructure, and BCE is the biggest in Canada. It has accelerated its capital spending in building and expanding the 5G infrastructure. The more people it reaches out to, the higher is the subscription cash flow and dividends. It has successfully increased its dividends at a 4.7% CAGR in the last 10 years and could increase it in the future as 5G subscriptions increase.

BCE stock has surged 3.4% above the pre-pandemic level and has a dividend yield of 5.52% at the time of the writing. The stock has both growth and dividend prospects, making it a buy at any dip.

SmartCentres REIT

SmartCentres REIT has recovered to the pre-pandemic level and now has a 6% dividend yield. As I mentioned above, the REIT has shown financial strength in the 2020 crisis and the 2009 financial crisis. The key to the REIT's stability is Walmart, but it is also a risk. If Walmart leaves SmartCentres, it could wipe out a quarter of its cash flow. Hence, the REIT is expanding its portfolio into mixed-use facilities like residential, offices, and storage facilities in tier-one cities where rent is high.

A Fool's play

The above three stocks could earn you over 5% annually. A $10,000 investment would fetch you $500/year in dividends, plus dividend growth and capital appreciation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:KEY (Keyera Corp.)
4. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. pujatayal

Category

1. Dividend Stocks
2. Investing

Date
2025/08/20
Date Created
2022/02/20
Author
pujatayal