2 Blue-Chip Dividend Stocks That Will Help You Generate a Passive-Income Stream

Description

The dividend yield on major indices such as the S&P 500 has declined over the years. It is currently near a two-decade low of 1.3% due to the steep valuation of underlying stocks. Further, several companies now aim to enhance investor returns via share buybacks instead of dividends.

While it's difficult to find companies with attractive yields, there are a few blue-chip giants trading on the TSX that offer tasty dividend payouts to investors. The forward yields of both the companies discussed here are well over 5%, enabling you to create a passive-income stream.

Enbridge

One of the largest Canadian companies on the TSX, **Enbridge** (TSX:ENB)(NYSE:ENB) offers investors a dividend yield of 5.9%. Enbridge transports 30% of the oil produced in North America and operates the largest oil transportation system globally. It also operates natural gas transmission and distribution in addition to a renewable energy portfolio.

Around 98% of its revenue is generated from long-term and stable fee-based contracts, insulating Enbridge from price fluctuations, and ensuring predictable cash flows across business cycles. Further, 95% of its customers have investment-grade credit ratings.

Due to its robust cash flows, Enbridge has increased dividend payouts for 27 consecutive years. The company expects to increase cash flow per share between 5% and 7% through 2024, while its large backlog of expansion projects should fuel growth going forward.

Enbridge has strong fundamentals, which provide it with the financial flexibility to fund capital expenditures, make regular interest payments, and maintain a sustainable payout ratio. This combination of a robust financial profile and steady cash flows should allow Enbridge to grow its dividends, making it extremely attractive to income investors.

After adjusting for dividends, ENB stock has returned 140% to investors in the last 10 years.

TC Energy

Another Canadian energy infrastructure company, **TC Energy** (TSX:TRP)(NYSE:TRP) remains a top long-term buy for investors. While oil and gas stocks have crushed the broader market in the past year, TC Energy should perform well across economic cycles. TC Energy is a natural gas pipeline company that generated profits even when commodity prices were trending lower.

It is optimistic about earnings and cash flow growth due to the advancement of capital projects that are underpinned by strong fundamentals and take-or-pay contracts. In fact, TC Energy expects to grow its adjusted EBITDA by 5% through 2026.

The growth in earnings should result in higher dividend payouts. Right now, TC Energy pays investors a forward yield of 5%, amounting to annual dividends of $3.6 per share. In the last five years, TC Energy has increased quarterly dividends from $0.625 per share in 2017 to $0.90 per share in 2022.

In 2021, TC Energy reported comparable earnings of $4.2 billion or $4.27 per share, while funds from operations stood at $7.4 billion, reflecting strong demand for its services as well as contributions from new assets placed into service.

As mentioned above, TC Energy is advancing $24 billion of secured projects out of which $6.5 billion will enter service this year. Its project pipeline should expand and extend the company's asset footprint across North America and improve shareholder returns over time.

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