Dividend Lovers: 2 Top TSX Stocks to Buy in August

Description

Despite the concerns over inflation and fears of recession, the **S&P/TSX Composite Index** rose 3.7% last week. Solid quarterly earnings, rising energy prices, and better-than-expected GDP (gross domestic product) data have improved investors' confidence, thus driving the index. However, higher prices and the ongoing Russia-Ukraine war cause concern.

So, amid the rising prices and uncertain outlook, investors could buy the following two dividend stocks to boost their passive income and strengthen their portfolios.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a midstream energy company that operates over 40 diverse revenue-generating assets, with around 98% of its earnings before interest, tax, depreciation, and amortization (EBITDA) generated from long-term contracts and regulated assets. So, the company generates stable cash flows, irrespective of the economic environment, thus allowing it to pay dividends for the last 67 years. Moreover, it has raised its dividends at a compounded annual growth rate (CAGR) of 10% over the previous 27 years, with its yield for the next 12 months standing at 5.9%.

On Friday, Enbridge reported its second-quarter performance, with its adjusted EBITDA growing by 12.5% to $3.7 billion. The contributions from assets put in place over the last four quarters and acquisition of Enbridge Ingleside Energy Center drove its adjusted EBITDA. However, its adjusted EPS fell marginally due to higher interest and increased depreciation expenses. After reporting its second-quarter earnings, the company's management has reaffirmed its guidance for 2022.

Meanwhile, Enbridge is progressing with its $10 billion diversified secured growth program while expecting to deliver $4 billion in projects this year. These new projects and its solid underlying business could boost its financials in the coming quarters. With its liquidity at $6.9 billion, the company's financial position also looks healthy. So, I believe Enbridge is well-positioned to maintain its dividend growth.

The company trades at an attractive NTM (next 12 months) price-to-earnings multiple of 18.8, meaning an investor has to invest $18.8 in the company to earn $1. So, if this smart energy asset manager stays on course, ENB would be an excellent buy for income-seeking investors.

BCE

I have selected **BCE** (TSX:BCE)(NYSE:BCE), one of Canada's three top telecommunication players, as my second pick. The advent of 5G has created substantial growth potential for telecommunication companies, including BCE. Analysts estimate that the North American 5G services market could grow at a CAGR of 52% over the next eight years, expanding the addressable market for the company.

Meanwhile, BCE is investing aggressively to strengthen its 5G and broadband services to increase its customer base. The company expects to provide 80% of the Canadian population with 5G service this year while also completing 80% of its planned broadband buildout program. Despite the skepticism over the economic outlook, the company's management expects its adjusted EBITDA to grow 2%–5% this year, while its adjusted EPS could rise by 2–10%.

Further, BCE has been raising its dividend by over 5% yearly for the last 14 years. With a quarterly dividend of $0.90/share, its forward yield stands at an attractive 5.59%. Further, the company is also trading at an attractive NTM price-to-earnings multiple of 19.

Bottom line

The stable cash flows, healthy growth prospects, cheaper valuations, and attractive yields make the above two dividend stocks an excellent buy for income-seeking investors.

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