2 Canadian Stocks to Buy With Dividends Yielding More Than 3%

Description

Dividend investing is a solid strategy to create passive income. Companies that offer investors a dividend are generally consistently profitable. As profits increase, so do dividends. But not every dividend-paying company is a good bet. In addition to the dividend yield, you need to look at a company's business model, financials, and the key drivers that impact the sector it operates in.

Here, I have identified two top Canadian dividend stocks that have yields of over 3%.

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TC Energy

A diversified energy infrastructure company, **TC Energy** (TSX:TRP)(NYSE:TRP) is valued at $67 billion by market cap. It is one of the largest companies on the TSX, and the stock has gained almost 15% year to date, easily outpacing the broader index.

TC Energy transports and stores energy in North America, and the majority of its revenue is derived from natural gas pipelines. Rising oil prices and strong demand for energy have acted as a tailwind for TC Energy in the last year. But the company's cash flows are backed by long-term contracts that are regulated, providing it with enough stability to sustain dividends across business cycles.

TC Energy stock offers investors a forward yield of 5.5%, making it extremely attractive to income-seeking investors. The energy heavyweight expects to grow its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) by 5% annually through 2026, suggesting dividend payouts should continue to increase. In the last 20 years, TC Energy has increased dividends by 7% annually.

So, if you invest $25,000 in TC Energy stock, annual dividend payouts will amount to $1,375. If TC Energy increases its payouts by 7% annually in the next decade, dividend payouts will almost double in this period.

Analysts also expect TC Energy's stock to increase by 5%, given consensus price target estimates.So, total returns might be close to 11% in the next 12 months.

Restaurants Brands International

A TSX stock that yields 3.64%, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) should be on top of your buying list for multiple reasons. It has a presence in more than 100 countries with over 29,000 restaurants. The company owns as well as franchises these restaurants, allowing it to generate royalty income.

There are several advantages that a franchise-based business enjoys. First, there are no upfront costs making QSR asset light, which also allows it to grow store count at an accelerated pace. Additionally, franchisors have high-profit margins as operating costs are endured by franchisees. Finally, franchisors collect up-front payments in the form of fees and recurring royalties based on sales. QSR also owns the real estate occupied by its franchises unlocking another revenue stream for the company.

Due to its acquisition of Firehouse Subs for $1 billion, QSR is forecast to increase sales by 47% to $7.31 billion in 2022 and by 7.8% to $7.88 billion in 2023. Its adjusted earnings are forecast to touch $4.04 in 2023, up from $2.03 in 2021. So, QSR stock is valued at 19 times forward sales, which is quite reasonable for a growth company. Analysts tracking the company expect shares to rise by 30% in the next year.

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Date
2025/08/21
Date Created
2022/08/24
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