2 Cheap Dividend Stocks to Boost Your Passive Income

Description

Although Canada's inflation declined from a 40-year high of 8.1% in May to 7.6%, it is still higher than the Bank of Canada's target of 2%. With higher energy and food prices creating a deeper hole in your pocket, it is prudent to supplement your passive income, which would provide a cushion against rising prices. Investing in high-yielding dividend stocks could be a worthwhile means to boost your passive income. The following two stocks with dividend yields above 6% may be the perfect buy for income-seeking investors.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) has been rewarding its shareholders by paying dividends uninterruptedly for the last 67 years, including the 1974 stagflation, the 2007 financial crisis, and the pandemic in 2020. Its regulated midstream businesses, with 98% of its adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) generated from cost-of-service and long-term agreements, generate stable and predictable cash flows, allowing the company to pay dividends consistently. With 80% of its adjusted EBITDA being inflation-indexed, Enbridge is well-equipped to pass on the increased expenses to its customers, thus reducing the pressure on its margins.

The ongoing Russia-Ukraine war, the failure of OPEC+ countries to raise their output, and rising demand have pushed energy prices higher. Meanwhile, higher prices have increased exploration and production activities, thus driving the demand for Enbridge's services. Through a network of pipelines, the company transports oil and natural gas across Canada and the United States. So, rising energy demand could drive its throughput and financials.

Meanwhile, Enbridge has secured a growth backlog of $13 billion between the third quarter of 2022 and 2026. Amid these investments and rising demand, the company's management expects its discounted cash flows (DCF)/share to grow at a CAGR of 5-7% through 2024. The company targets to pay 60-70% of its DCF as dividends. The growth in DCF could allow the company to continue its dividend growth. With a quarterly dividend of $0.86/share, ENB's yield for the next 12 months stands at a healthy 6.35%. Further, its valuation looks cheaper, with its NTM (next 12 months) price-to-earnings standing at 17.9.

NorthWest Healthcare Properties REIT

Real estate investment trusts (REIT) are an excellent means to earn passive income, as these companies have to distribute more than 90% of their income to shareholders as dividends. So, I have selected **NorthWest Healthcare Properties REIT** (TSX:NWH.UN), which owns and operates healthcare properties across eight countries, as my second pick. The company has rented most of its assets to government-backed tenants through long-term agreements, thus reducing vacancies and delivering a high collection rate. Its weighted average lease expiry stands at 14.1 years. Besides, 80% of its rent is inflation-indexed.

Meanwhile, NorthWest Healthcare has continued its expansion by acquiring assets worth $934 million in 2022, including the acquisition of 27 healthcare properties in the U.S. for $775 million. These acquisitions could be a stepping stone for the company in the lucrative U.S. healthcare market. The company's solid developmental pipeline and strategic investments could drive its growth in the coming years.

With a monthly dividend of $0.0667/share, NorthWest Healthcare's yield for the next 12 months stands at 6.38%. NWH trades at 7.4 times its earnings for the last four quarters, making it an attractive buy.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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