5% Low-Risk Yield! Lap Up These 3 Dividend-Paying TSX Stocks Now

Description

As high inflation and a rising interest rate environment add uncertainty over the economy's future course, it's prudent to invest in stocks with low risk and high yield. Let's examine three stocks that offer high yields of over 5% while their businesses remain relatively immune to economic cycles.

TC Energy

Speaking of low-risk and high-yield stocks, **TC Energy** (TSX:TRP)(NYSE:TRP) comes across as a solid bet for investors amid uncertainty. It owns rate-regulated pipelines and contracted assets that generate resilient cash flows irrespective of the market cycles. Further, high utilization across its system is positive.

Thanks to its solid asset base and resilient cash flow, TC Energy has raised its dividend for 22 years. Further, its dividend has a CAGR (compound annual growth rate) of 7% during the same period. What's more? TC Energy is confident of increasing its future dividend by 3-5% per year.

Strong energy demand, expansion and modernization of its assets, energy transition opportunities, and high utilization will drive its growth. Meanwhile, its extensive capital program augurs well for growth. Notably, TC Energy's regulated and contracted assets generate 95% of its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization), implying that its payout is covered well. Further, investors can earn a high yield of 5.6% by investing in TC Energy stock at current levels.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is one of the safest stocks to earn reliable dividend amid all market conditions. Its utility-like business model, contractual arrangements to lower price and volumes risk, and inflation-protected EBITDA drive its distributable cash flow (DCF) per share and, in turn, its dividend.

This energy giant has been paying a dividend for over 67 years. Furthermore, it's hiked its dividend for

27 years at a CAGR of 10%.

Enbridge’s 40 diversified cash flow sources, strong energy demand, high asset utilization, and multi-billion secured capital program are expected to drive its DCF per share. It expects its DCF/share to grow at a CAGR of 5-7% through 2024, which implies that Enbridge’s dividend could grow at a low- to mid-single-digit rate during the same period.

Overall, Enbridge’s solid conventional and renewable assets, incremental revenues from the new assets placed into service, and EBITDA growth will support its payouts. Investors can earn a high yield of over 6%.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) operates a low-risk utility business, making it a safe stock to earn regular dividend income. It has raised its dividend for 12 years, and its rate-regulated business implies that its payouts are safe.

It’s worth mentioning that Algonquin Power’s earnings have grown at a double-digit rate in the last five years (at a CAGR of 11.1%). Furthermore, its growing rate base implies that its earnings could continue to increase at a healthy pace in the coming years.

Algonquin Power expects its earnings to grow at a CAGR of 7-9% in the next five years. This will be supported by the continued expansion of its rate base and long-term power-purchase agreements. Further, its growing renewable power-generation capabilities are positive. Algonquin Power offers a worry-free dividend yield of 5.1%.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
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