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

Description

Most dividend stocks are boring, as they deliver weak growth. A majority of dividend stocks are not great long-term investments, even if they offer you tasty yields. These observations are true for Dividend Aristocrats as well: a group of companies that have increased dividends for more than 25 consecutive years.

But there are a few dividend stocks that are not boring and could generate market-beating gains for investors. Here are two such TSX stocks you can buy that also offers investors dividend yields of more than 3%.

Enbridge's stock price has upside potential

An energy infrastructure giant, **Enbridge** (TSX:ENB)(NYSE:ENB) is one of the largest companies on the TSX. Since 2008, ENB stock has returned 11.7% annually to shareholders in dividend-adjusted gains. Comparatively, the S&P 500 index has surged 11%, while Enbridge's midstream peers have returned 8% to shareholders in the last 14 years.

Enbridge believes its utility-like approach and disciplined investment strategy in energy infrastructure have translated to robust shareholder returns. Its diversified demand-pull energy infrastructure assets provide critical channels for the delivery of conventional and low-carbon energy supply. Further, its low-risk commercial and financial profile provides predictable cash flows across market cycles.

Around 95% of Enbridge's customers are investment grade, and 98% of its cash flows are contracted. Additionally, 80% of its EBITDA (earnings before interest, taxes, depreciation, and amortization) is indexed to inflation, making its 6.4% dividend yield fairly sustainable.

Enbridge has multiple business segments that include gas transmission, gas distribution, liquid pipelines, and renewable power. Each of these businesses has high visibility to organic growth opportunities driving future cash flow growth.

Enbridge transports around 20% of the natural gas consumed in the U.S. and 30% of the continent's crude oil. While renewable energy accounts for just 4% of adjusted EBITDA, this business segment should gain traction in the upcoming decade.

ENB stock is trading at a discount of 10%, given consensus price target estimates. After accounting for its juicy dividend yield, total returns will be closer to 16% in the next year.

Telus stock is trading at a discount

Another TSX heavyweight, **Telus** (TSX:T)(NYSE:TU) is valued at $40.5 billion by market cap. Since 2000, Telus has invested $220 billion in network infrastructure, spectrum, and operations to expand and evolve its networks and technology.

Among the three largest wireless service providers in Canada, Telus has nine million mobile phone subscribers in Canada, accounting for 30% of the total market. It has a major presence in the Canadian provinces of Alberta and British Columbia, where it offers internet, television, and landline phone services. Telus also has a small wireline presence in eastern Quebec.

Down 20% from record highs, Telus stock offers investors a dividend yield of 4.5%. These payouts have increased at an annual rate of 8.3% in the last 10 years.

While Telus is part of a mature industry, analysts expect the company to increase revenue from $17.26 billion in 2021 to $19.8 billion in 2023. Its adjusted earnings are also forecast to expand by 15.3% annually in the next five years.

Telus stock is valued at 23 times forward sales and is well positioned to outpace the broader markets in the future.

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