Hedge Against Inflation: Top TSX Dividend Stocks Fetching +6% Yields

Description

Canada's inflation has eased a bit (the annual inflation rate reached 7%) in August. Despite the moderation, it continues to remain high. Amid such a scenario, sitting on too much cash will not help you beat inflation or create wealth. Thus, I'd recommend investing your extra cash in dividend stocks offering high and reliable yields to hedge against inflation and earn regular income.

Against this backdrop, I have picked out stocks that offer investors reliable dividend income and a high yield of over 6%. Let's delve into details.

Enbridge

The first stock on my list is **Enbridge** (TSX:ENB)(NYSE:ENB). This energy stock is popular for consistently increasing its dividend. For context, Enbridge has grown its dividend uninterrupted for 27 years. Moreover, it offers a well-protected yield of 6.4% and has a payout ratio of 60-70% of its distributable cash flows (DCF).

Enbridge has 40 diversified sources to earn cash. Further, 80% of its EBITDA (earnings before interest, taxes, depreciation, and amortization) has protection against inflation. This helps Enbridge to generate solid DCF to cover its payouts. Enbridge sees its DCF/share grow by 5-7% annually in the medium term, implying its dividend could increase at an equal rate.

Keyera

The next stock, **Keyera** (TSX:KEY), is also from the energy space. In the last 14 years, this energy infrastructure company has managed to grow its DCF/share at an average annualized rate of 8%. During the same period, Keyera increased its dividend by a CAGR (compound annual growth rate) of 7%.

Its high asset utilization rate helps generate solid cash flows that fund its dividend payouts and growth initiatives. Keyera expects its EBITDA to grow at a CAGR of 6-7% through 2025. This will drive its

DCF/share and dividend payments. Keyera stock is yielding 6.3% at current price levels.

Pizza Pizza Royalty

Investors could consider **Pizza Pizza Royalty** (TSX:PZA) stock for its stellar 6.3% dividend yield. The reopening of the economy has fueled demand for its offerings, reflected through the strong growth across all its channels (delivery, walk-in, pickup).

Thanks to the increased sales (Royalty Pool System Sales jumped 17.3% in the first half of 2022) and solid cash balance, Pizza Pizza Royalty is well positioned to increase its dividend and boost shareholders' returns. Further, its growing store count and its policy to distribute most of the available cash to maximize shareholder returns should act as catalysts for its stock price.

NorthWest Healthcare Properties REIT

I'll end this list with a REIT (real estate investment trust). REITs are known for their high payout ratios and solid dividend payment track records. One such top REIT is **NorthWest Healthcare** (TSX:NWH.UN). It owns healthcare-focused real estate assets that remain resilient to market cycles. Further, it has a high-quality tenant base (over 80% of tenants are supported by governments). This adds a lot of stability to NorthWest's payouts.

It's worth mentioning that the majority of NorthWest's rents (about 82%) are indexed against inflation. Further, it enjoys a high occupancy rate of over 97%. Other than this, NorthWest also benefits from its long-weighted average lease expiry term of 14 years.

Overall, this REIT is well positioned to enhance its shareholders' value amid the current environment. Moreover, its diversified real estate portfolio and focus on U.S. expansion bode well for growth. Among everything, its high yield of 6.8% attracts the most.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:KEY (Keyera Corp.)
4. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
5. TSX:PZA (Pizza Pizza Royalty Corp.)

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