2 Passive-Income Stocks With Sky-High Yields

Description

Are you looking for passive-income stocks with sky-high yields?

If so, you're in luck. In 2022, stock prices have fallen, resulting in dividend yields rising. Sectors like banking and utilities have higher yields than they had at the start of the year. Many energy stocks have higher yields too — oil stocks have risen in price, but, in many cases, they have raised their dividends by more than the amount that their stock price went up.

So, whether you're looking to go bargain hunting or buy what's already in favour, there are plenty of opportunities to grab high yields. In this article, I will explore two dividend stocks with sky-high yields and high dividend growth.

First National

First National Financial (TSX:FN) is a Canadian lending company that pays a $0.195833 dividend every month. That works out to $2.34 per year. On Friday, FN stock closed at $34.50, so we've got a 6.61% dividend yield on our hands here.

Is this high dividend sustainable?

We have some mixed signals on that front.

Simply Wall Street calculates First National Financial's dividend-payout ratio as being 70%. That means that 70% of the company's profit is being paid out as dividends. If FN's earnings grow at 0% from here on out, it will be able to keep paying its dividend. However, it may have to cut its dividend if its earnings decline, and the 70% payout leaves the company with not much extra cash to invest in growing its business.

However, First National's business is well positioned. It is a lending company that issues mortgages to people looking to buy homes. It is not a bank, as it doesn't take deposits or do investment banking or anything like that. It's a pure lender. That's a good business this year, because interest rates are going up. High interest rates are bad for most businesses, but good for mortgage lenders, because the higher interest rates go, the more money they collect on mortgages. In its most recent quarter, FN's revenue grew 10%, which is pretty good considering that many other companies (especially tech companies) are seeing their sales decline this year.

Enbridge

Enbridge (TSX:ENB) is a Canadian pipeline company with a 6.5% dividend yield. The company has raised its dividend by 10% per year over the last 27 years. That's a truly stellar dividend-growth track record. If you were getting $1,000 per year in dividends from Enbridge in 1995, and you held all the shares to today, you'd be getting $13,000 per year in dividends now!

Can Enbridge keep up its dividend-growth track record?

Potentially, yes. Its payout ratio based on earnings is over 100%, which doesn't look good on the surface, but the cash flow payout ratio is only 70%, which is not too bad for a pipeline company. For context, the pipeline sector is known for having high dividends and payout ratios.

Additionally, Enbridge's business is in demand. The consumption of oil and gas has increased by 1.66% in North America this year, and Enbridge helps transport oil that's later refined into gasoline and other products. So, Enbridge is well situated in a fast-growing industry. Overall, the picture looks good.

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Date
2025/08/15
Date Created
2022/10/31
Author
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