2 TSX Companies With Dividends That Outpace Inflation

Description

Inflation destroys the value of cash. Thus, it is prudent to invest your surplus cash in assets that can handily beat inflation. One such leading investment is dividend-paying stocks. While inflation in Canada stands at 6.32%, several TSX companies offer dividend yields that outpace the current inflation rate.

Besides high yield, these Canadian dividend payers also generate decent capital gains, thus delivering average annual total shareholder returns in the double-digits. Against this background, let's zoom in on two Canadian stocks set to outpace inflation.

Enbridge

With a current dividend yield of 6.55% (based on the closing price January 25) and an average annual total shareholder return of 11.7% (since 2008), **Enbridge** (TSX:ENB) appears to be a solid investment to beat inflation. The pipeline operator transports hydrocarbons. Continued solid demand for its energy infrastructure assets is driving its financials and supporting dividend payouts.

Notably, this large-cap Canadian company is among the most reliable investments when it comes to earning consistent income in all economic conditions. It has been paying dividends for over 68 years. Moreover, ENB stock has increased its dividends for 28 consecutive years. It even raised the dividend amid the pandemic when most energy companies reduced their payouts to remain afloat. This highlights the strength of its business and the resiliency of its cash flows.

Enbridge's dividend is well covered. Its diversified cash streams and contractual arrangements reduce price and volume risk to generate solid distributable cash flows (DCF). Meanwhile, investments in conventional and renewable energy assets, multi-billion-dollar secured projects, revenue escalators, and benefits from new assets placed into service will drive future payouts.

About 80% of Enbridge's adjusted EBITDA (income before interest, tax, depreciation, andamortization) has protection against inflation. This bodes well for its distributable cash flow per sharegrowth. Also, its payout ratio of 60–70% of DCF is sustainable in the long term. Overall, investors cancomfortably rely on Enbridge in an inflationary environment.

NorthWest Healthcare Properties REIT

Amid an elevated inflationary environment, REITs can be a valuable addition to your portfolio due to their high payout ratio. Further, investors should focus on REITs with a defensive business model and high-quality payouts. Among REITs, investors can consider investing in **NorthWest Healthcare Properties REIT** (TSX:NWH.UN).

NorthWest focuses on healthcare operators. Its real estate portfolio is geographically diversified, which reduces risk. Furthermore, NorthWest's payouts are supported by its high-quality tenants backed by government support.

Additionally, NorthWest benefits from the long leases (it has a weighted average lease expiry term of 14 years), which adds visibility over its future cash flows. Also, most of its rents are indexed against inflation, which supports organic growth. A high occupancy rate of 97% is encouraging.

Overall, NorthWest Healthcare's defensive real estate portfolio, high-quality tenant base, geographic diversification, and strong pipeline bode well for growth. Moreover, investors can beat inflation with its high yield of 7.99% based on the closing price of $10.01 on January 25.

Bottom Line

The high dividend yield, visibility over future cash flows, and well-covered payouts of these TSX companies make them an attractive investment amid a high inflationary environment. Investors can make steady passive income through these stocks regardless of the market conditions.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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