Need Passive Income? Turn $15,000 Into $1,016 Annually With These 2 Dividend Stocks

Description

People need stable cash flows, especially during recessions. The stock market could be unstable, but you can't give up the opportunity to earn passive income completely. Many market analysts believe energy stocks are excellent choices in 2023, because they could outperform again, as they have in the past two years.

Moreover, the same analysts add that high dividends, not oil prices, will spur appetite for the red-hot sector. **Enbridge** (TSX:ENB) and **Freehold Royalties** (TSX:FRU) should be top-of-mind choices if you invest right now. The former pays a generous 6.56% dividend, while the latter offers a juicy 6.94% yield.

With an average dividend yield of 6.75% today, a $15,000 investment can generate $1,016 in passive income annually. The table below shows the number of shares you can buy for each energy stock and the corresponding passive income in one year.

Company	Price	No. of Shares	Dividend per Share	Total Payout	Frequency
ENB	$54.46	120	$3.57	$428.71	Quarterly
FRU	$15.46	548	$1.07	$587.96	Monthly

Abundant growth drivers

Management is confident that Enbridge is well positioned to grow the business well into the future. Besides its vast pipeline network, the blue-chip franchises should continue to bring in significant free cash flow (FCF). The $110.27 billion energy infrastructure company is executing its $17 billion capital program (2021 to 2024) and sees a $6 billion organic growth potential annually after 2024.

Enbridge's competitive advantage is its diversified pipeline-utility model that drives predictable resultsin all market cycles. According to management, 80% of EBITDA (earnings before interest, taxes, depreciation, and amortization) has inflation protections.

Furthermore, the utility-like cash flows are highly predictable since 98% of cost-of-service, take-or-pay, and tolling arrangements are under long-term contracts. The current portfolio is strong because of the superb business mix. Liquids pipeline accounts for 58% of EBITDA, followed by Gas Transmission (26%), Gas Distribution (12%), and Renewable Power (4%).

However, the best part is the energy stock's Dividend Aristocrat status. Besides the high yield, Enbridge has raised its dividend for 26 consecutive years. The resiliency and longevity of its cash flows support the unfailing dividend hikes every year.

The royalty advantage

Like Enbridge, Freehold Royalties isn't an oil producer. However, it creates shareholder value through the lease-out programs of its vast royalty lands in Canada and the United States. The $2.33 billion royalty oil & gas company receives revenue from royalties on crude oil, natural gas, natural gas liquids (NGLs), and potash properties.

Freehold has royalty interests in over 15,000 producing wells, where around 350 industry operators provide royalty income. The royalty advantage stems from the drilling activity of these operators and zero capital investments by Freehold.

Management has yet to report the full-year 2022 results, although net income after three quarters jumped 312% year over year to $168.44 million. In the same period, the $100.9 total dividend payment of $100.9 million was $63 million higher than in the first nine months of 2021. Note, too, that Freehold is a monthly income stock.

Low-risk profiles

The challenge to most investors in 2023 is overcoming the recession and protecting capital. Enbridge and Freehold are ideal choices if you expect the energy sector to do well in 2023. The business models are low risk, FCF is growing, and dividend payments are sustainable.

CATEGORY

1. Dividend Stocks
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Date
2025/06/28
Date Created
2023/02/08
Author
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