



Canadian Investors: Boost Your Passive Income With These 3 High-Yielding Dividend Stocks

Description

Investing in high-yielding dividend stocks is one of the convenient ways to earn [passive income](#). However, investors must remember that dividends are not guaranteed. So, they should consider companies with solid underlying businesses, healthy cash flows, and impressive track records to earn a stable passive income. Several TSX companies qualify. I am choosing the following three top dividend stocks, which pay monthly dividends, as my top picks.

TransAlta Renewables

TransAlta Renewables ([TSX:RNW](#)) owns or has an economic interest in 50 [renewable](#) and natural gas power generation facilities with a total power-producing capacity of around 3 gigawatts. Amid rising interest rates and an inflationary environment, the company's management has announced a focus on dividend stability in the near term rather than its growth prospects. These announcements appear to have made investors nervous, with the company losing around 38% of its stock value compared to its 52-week high.

More importantly, though, TransAlta Renewables sells most of the power produced from its facilities through long-term power purchase agreements (PPA), shielding its financials from price and volume fluctuations. The weighted average remaining contract life of these PPAs stands at 11 years. Also, the company is hopeful of restarting its Kent Hills facility by the second half of this year. It also expects to put several projects into service this year, which could boost its financials. Supported by these growth initiatives, management expects its 2023 adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) to come between \$495 million and \$535 million. So, I believe RNW stock payouts are safe.

Meanwhile, TransAlta Renewables has been paying [dividends](#) consistently since going public in 2013. With a monthly dividend of \$0.07833/share, its yield for the next 12 months stands at 7.8%. Amid the recent pullback, the company's NTM (next 12 months) price-to-earnings multiple has fallen to 15.2, making it an attractive buy.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#)) is a midstream energy company that transports oil and natural gas produced primarily in Western Canada through a pipeline network. It operates a highly contracted business, with over 80% of its adjusted EBITDA generated from fee-based, take-or-pay, and cost-to-service contracts. Supported by its diversified and regulated businesses, the company has been growing its adjusted cash flows per share from its operating activities at an annualized rate of over 10% for the last 10 years.

These healthy cash flows have allowed Pembina Pipeline to maintain or raise its dividends since 1998. Its dividend yield also stands at an attractive 5.6%. Meanwhile, the company has planned to make a capital investment of \$730 million this year. Along with these investments, volume growth and inflation-adjusted tolls could boost its financials in the coming quarters. The company's management expects its 2023 adjusted EBITDA to come in the range of \$3.5–\$3.8 billion, with the midpoint representing 5% growth from its 2022 guidance. So, I believe Pembina Pipeline is well-positioned to continue paying dividends at a healthier run rate.

Pizza Pizza Royalty

Pizza Pizza Royalty ([TSX:PZA](#)) operates Pizza Pizza and Pizza 73 brand restaurants through its franchisees. The reopening of dining spaces and non-traditional restaurants, and solid same-store sales due to the introduction of on-trend menu items and creative marketing campaigns are driving its financials. With the higher cash flows, the company raised its dividends three times last year. PZA stock currently pays a monthly dividend of \$0.07/share, with a forward yield of 6.03%.

Meanwhile, with the lifting of mandated restrictions on commercial construction by the Canadian government, Pizza Pizza Royalty is progressing with its expansion plan. Additionally, the renovation of old restaurants and investment in digital and delivery channels could continue to drive its financials in the coming quarters. At present, Pizza Pizza Royalty trades at an attractive NTM price-to-earnings multiple of 15.4, making it an excellent buy for income-seeking investors.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. TSX:PPL (Pembina Pipeline Corporation)
2. TSX:PZA (Pizza Pizza Royalty Corp.)
3. TSX:RNW (TransAlta Renewables)

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