The 3 Best Dividends From the Energy Patch

Description

If you’re looking for dividends, some of Canada’s highest yielding companies can be found in the energy sector. But investing in energy companies is something you should be very careful about doing. After all, many of them are spending heavily on new projects, have risky balance sheets, or pay a dividend that they cannot afford.

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This is of course not ideal if you’re looking for steady, reliable dividends you can count on. Fortunately, there are some exceptions and three are examined below.

1. Cenovus Energy

With any energy company, there is always a risk of declining energy prices. So what’s the best way to mitigate this risk? One way is to invest in a low-cost producer. The great thing about these companies is they are still profitable even at the bottom of the cycle. And few companies produce oil with costs as low as **Cenovus Energy** (TSX: CVE)(NYSE: CVE).

To illustrate, last year operating expenses for Cenovus’s oil production totalled $15.65 per barrel. And this was in a year when the company had numerous operational issues at its Foster Creek operations.

Those same operational issues have held back the share price of Cenovus – as a result its dividend yields a healthy 3.2%. And this is one of the lowest-risk dividends you can find in Alberta.

2. Baytex Energy

If you’re looking for a bigger dividend, you can find one with **Baytex Energy** (TSX: BTE)(NYSE: BTE). The company has just raised its monthly dividend to $0.24 per share, and as a result Baytex now yields 6.2%.

That being said, there is one major thing to be concerned about with Baytex's dividend: it exceeds net income and free cash flow. The company makes up for this difference partly by offering a 3% incentive to shareholders willing to take their dividend in additional shares, rather than cash. So if you're looking for some monthly income, Baytex offers a juicy yield, as long as you're willing to accept a small penalty.

3. Canadian Oil Sands

Perhaps the energy patch's best dividend comes from **Canadian Oil Sands** (TSX: COS). Not only is the yield a healthy 6%, but also the dividend of $1.40 per share per year is lower than the company's net income.

Canadian Oil Sands has such a high yield mainly because its stock price remains depressed – it's still trading down from where it was five years ago. This is due to seemingly recurring operational issues at the Syncrude operations. This is also not a company to buy if you're looking for growth (sales volume actually shrank by 7% last year).

That said, if you're looking for a high, reliable dividend from the energy patch, this company is likely your best bet.

CATEGORY

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TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:CVE (Cenovus Energy Inc.)

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bensinclair

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