Canadian Oil Sands Ltd.: Act Fast — This 6% Stock Goes Ex-Dividend Next Week

Description

It's rare to find a safe dividend stock that pays out over 6%.

But I've found one company that generates so much cash, it's able to pay triple the yield of your typical blue-chip stock.

Better yet, a number of indicators suggest that this distribution could grow substantially in the months to come. However, if you want to collect this 6% dividend, you have to be a shareholder of record before Wednesday, August 20.

Let me explain…

As I have written in previous articles, the energy sector is a great source of dividend income for yield-hungry investors.

No doubt, these firms are more volatile than other industries like banks, telecom, and consumer stables. However, most oil and gas companies are far more conservatively managed today than in their wildcatting days of yore. In fact, many of these stocks are now the most reliable dividend payers in the marketplace.

Take one of my favourite dividend stocks, **Canadian Oil Sands Ltd.** (TSX: COS), for example.

Canadian Oil Sands owns a 36.74% interest in Syncrude Canada Ltd., the company's only producing asset. Syncrude is a joint-venture between a number of top energy firms including **Imperial Oil Limited**, **Suncor Energy Inc.**, **CNOOC Limited**, and others. This is the largest oil project in the world responsible for producing over 12% of Western Canada's crude oil.

The main reason why I love this stock is the company's tall payout. Canadian Oil Sands pays a quarterly dividend of $0.35 per share, which comes out to a yield of about 6%. That's the third highest distribution in the large-cap **S&P/TSX 60** index.

And that dividend could grow substantially in the months ahead. Over the next few years the company's capital spending budget is projected to fall more than 80% with the completion of several major Syncrude enhancements. That frees up an enormous amount of cash flow for dividend hikes and share buybacks.

But while Canadian Oil Sands's dividend is one of the best in the oil patch, that's not the only reason to buy the stock. The outlook for Albertan energy producers is also improving.

For years, oil sands production has traded at a discount to international blends because of the shortage of pipeline capacity. The region's energy output was literally log-jammed at terminals with no way out of Alberta. However, in recent months that discount has narrowed significantly thanks to the ramp up of crude-by-rail transportation.

That gap is likely to dwindle further. **Enbridge Inc.** (TSX: ENB)(NYSE: ENB), Canada's largest pipeline shippers, plans to add one million barrels per day of export capacity by 2015 through a number of small initiatives. Some of these projects include eliminating bottlenecks to boost capacity in the Chicago area, twinning its Spearhead and Seaway pipelines and reversing its Line 9 to transport Canadian oil to Quebec refineries.

Of course, Canadian Oil Sands is no slam dunk. Energy prices are notoriously volatile. Syncrude's aging equipment is also becoming less reliable. But the risks aside, the company's 6% yield and bullish outlook is a tempting combination.

Best of all, investors can begin collecting dividend income from this company almost immediately. However, if you want to collect this 6% dividend, you have to be a shareholder of record before Wednesday, August 20. That's the final date to be eligible to receive your first dividend payment on August 29.

CATEGORY

1. Investing

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rbaillieul