



## 2 Players in the Patch Gushing Dividends: Baytex Energy Corp and Canadian Oil Sands Ltd

### Description

Stronger industry-wide fundamentals, coupled with Canada possessing up to 54% of the world's investable non-government-controlled oil reserves, continue to attract considerable attention from institutional investors. This renewed investment activity has brought the spotlight firmly back on the patch and created a range of opportunities for smaller investors, with the patch now having some of the highest dividend yields among its players.

Let's take a closer look at two juicy dividend yields every income-hungry investor should consider.

#### **This intermediate oil producer's last acquisition continues to pay dividends for shareholders**

A company fast gathering popularity with investors is **Baytex Energy Corp** ([TSX: BTE](#))(NYSE: BTE), which earlier in 2014 closed out its acquisition of Aurora Oil and Gas Ltd. This was a game-changing acquisition for Baytex, as the company acquired premium liquid-rich light oil assets in the heart of the Texas Eagle Ford shale, which has significantly boosted Baytex's higher-margin light oil production. On completing the transaction, Baytex hiked its dividend 10%, giving it a juicy yield of 6%.

Despite the company missing analysts' earnings consensus for the second quarter of 2014, it still reported some solid results. One of the most important was a significant increase in its operational profitability, with its netback per barrel growing a healthy 11% quarter over quarter and 28% year over year to \$40.74 per barrel.

This significant growth in the profitability of Baytex's oil-producing operations can be attributed to the closing of the Aurora acquisition. As a result of the acquisition, Baytex's production weighting for the second quarter for higher-margin light crude grew 1% quarter over quarter and a healthy 4% year over year to make up 18% of total production.

This, as well as its funds flow from operations for the second quarter growing 6% year over year and a payout ratio of 58%, bodes well for the sustainability of the dividend.

## **Largest investor in the Syncrude project remains a firm favourite with investors**

Another juicy yield in the patch for investors to consider is **Canadian Oil Sands Ltd** (TSX: COS), which pays a quarterly dividend with a tasty yield of 6% and has a very sustainable payout ratio of 81%. Stronger industry-wide fundamentals bode well for the company to continue reporting solid results, despite unplanned outages continuing to impact production in the second quarter of 2014, with higher royalties and operating costs biting into the bottom line.

Furthermore, the company's operations remain highly profitable, generating a solid margin, or netback, of \$46.62 per barrel of crude produced for the second quarter of 2014. All of these things bode well for the sustainability of its substantial dividend yield.

Both companies offer investors the opportunity to receive juicy yields and have solid growth potential as the energy patch comes under the spotlight from institutional investors. As a result, they are worthy additions to any income-focused portfolio.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:BTE (Baytex Energy Corp.)

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