



## 3 Oversold Dividend Stocks I'd Buy With an Extra \$5,000

### Description

As the dust settles on a nasty market rout in the commodity space, dividend investors are looking at their favourite income stocks and wondering which ones to add to their portfolios.

Miners and oil producers have really taken it on the chin, but some have been severely oversold, offering big dividends and the opportunity for capital appreciation.

Here are the reasons why I think dividend investors should consider **Crescent Point Energy Corp.** (TSX: CPG) (NYSE: CPG), **Teck Resources Ltd.** (TSX: TCK.B) (NYSE: TCK), and **Cenovus Energy Inc.** ([TSX: CVE](#)) ([NYSE: CVE](#)).

#### Crescent Point Energy Corp

Crescent Point's business model is often criticized because the company regularly issues new shares and taps the debt market for capital, and then turns around and pays out more than 100% of cash flow as dividends.

So far, the approach has been successful. Crescent Point consistently delivers solid production growth by acquiring first-class assets and increases reserves through effective development programs. In a recent statement, Crescent Point said it expects a 16% increase in cash flow for 2014 compared to last year.

With oil markets under pressure, some investors are concerned that the big dividend is at risk. Crescent Point pays a dividend of \$2.76 per share that yields about 7.5%.

The company has an aggressive hedging program that protects cash flow during volatile times in the oil market. As long as oil prices stabilize near current levels, the dividend should be safe.

#### Teck Resources Ltd.

Teck is Canada's largest diversified miner. The company's business units include metallurgical coal, copper, and zinc. Teck is a low-cost producer in all of its operations and management is extremely

good at managing capital.

As a result, Teck continues to be profitable during the current slump in prices for copper and met coal. In fact, Teck managed to squeeze out gross margins of 23% in its coal division, 33% in its zinc operations, and 46% in the copper group during the last quarter.

Roughly a third of the world's met coal producers are currently unprofitable at the current market price of about \$110 per tonne. Teck expects prices to improve by the end of 2015.

Teck is also a 20% owner in the Fort Hills oil sands project that is expected to begin production in late 2017. Output is targeted at 160,000 barrels per day by the end of 2018.

Teck pays a dividend of \$0.90 per share that yields about 4.9%. I think the dividend is safe, and the upside potential for the stock is probably a lot higher than the downside risk at this point.

### **Cenovus Energy Inc.**

Cenovus is Canada's second-largest integrated oil company. The upstream assets include oil sands facilities jointly owned with **ConocoPhillips**.

Investors often overlook Cenovus when choosing an oil producer for their portfolio, but the company is starting to attract more attention.

The company's Christina Lake project has a target production capacity of 300,000 barrels per day. In the third quarter, Cenovus said year-over-year output rose 30%, to 68,000 barrels per day.

The Foster Creek asset produced about 57,000 barrels per day in the third quarter, a 15% rise over the same period in 2013. Production at Foster Creek is expected to hit 295,000 barrels per day by 2019.

Cenovus also operates a huge refining division that has the capacity to process as much as 430,000 barrels of crude oil per day.

For dividend investors, production growth is the main attraction. Cenovus currently pays \$1.06 per share that yields about 3.7%. As the Foster Creek and Christina Lake facilities continue to expand, investors should benefit from additional cash flow and higher margins due to the reduced cost per barrel that normally tracks higher production.

The refining assets also offer a nice hedge against volatile oil prices.

Crescent Point, Teck, and Cenovus are a great start for a dividend portfolio but you might be interested in adding one or two more companies to diversify the holdings. Check out the following free report for some great ideas.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:TECK (Teck Resources Limited)
3. NYSE:VRN (Veren)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:TECK.B (Teck Resources Limited)
6. TSX:VRN (Veren Inc.)

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