2 Unloved Dividend Stocks You Should Consider

Description

Dividend investors often flock to the big names that get the most press and trade at premium valuations. Sometimes, it pays to look for strong companies that are going through a rough patch, but have solid, long-term businesses and offer reliable dividends and some opportunity for capital appreciation.

Here are the reasons why I think investors should put **Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE) and **Pembina Pipeline Corp.** (TSX:PPL)(NYSE:PBA) on their watchlist.

Cenovus Energy Inc.

The oil rout has been tough on Cenovus. The company recently announced a $1.5 billion bought-deal stock offering to shore up its balance sheet. The funds, combined with the existing $3 billion of untapped credit lines, will provide ample liquidity to move forward on the company's planned capital program.

Cenovus operates two major oil sands facilities in a 50% joint operation with **ConocoPhillips**. The assets delivered a 25% increase in average daily production in 2014 compared to the previous year, and are still in the early innings of their development.

Production at the Christina Lake asset rose 40% in 2014 to an average of 69,000 barrels per day (bbls/d). The project's eventual capacity is targeted at 300,000 bbls/d.

Output at the Foster Creek site rose 11% in 2014 to a daily average of 59,000 bbls/d. Foster Creek has an ultimate production target of 295,000 bbls/d.

Cenovus is doing a good job of controlling costs and has even implemented a dividend reinvestment incentive for shareholders. The new 3% discount will entice stockholders to take dividend payments in the form of new shares. This helps the company reduce cash outflows and gives investors the nice option to pick up new shares at a lower price.

Cenovus pays a dividend of $1.06 per share that yields about 4.8%. The distribution should be safe and the upside potential for the stock could be significant when oil prices finally begin to improve.

Pembina Pipeline

Pembina sits in the shadows of its much larger peers, but the company has a fantastic asset base and is reasonably well protected against the volatility in oil prices.

Pembina transports about 50% of Alberta's conventional crude oil production, 30% of western Canada's natural gas liquids production, and most of the conventional oil and condensate production in British Columbia.

The infrastructure projects are secured by long-term contracts and revenue is 100% derived on a fee-for-service basis. This means that Pembina has no direct commodity exposure.

Pembina pays a dividend of $1.74 per share that yields about 4.4%. The company's dividend reinvestment plan (DRIP) offers shareholders a 5% discount on new shares. Given the nature of the revenue stream, the distribution should be very safe.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:COP (ConocoPhillips)
2. NYSE:CVE (Cenovus Energy Inc.)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:PPL (Pembina Pipeline Corporation)

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