Cheap Dividend Stocks Yielding Up to 5.8%

Description

Dividend stocks are popular because they provide positive returns regardless of what the stock prices are doing. Stocks that have been paying dividends for at least a few years are likely to continue paying dividends.

In fact, here are a couple of stocks that have a history of paying growing dividends, and they have come down in price due to the oil-price plummet. So, when oil recovers, long-term investors can capitalize on price appreciation. If not, investors can buy them for higher yields today because of the retreated stock price.

Canadian Western Bank yields 3.5%

Canadian Western Bank (TSX:CWB) has gone down 34% from its 52-week high of $38 to $25 today. This is because close to half of its loans are in Alberta and Saskatchewan. In reality, the bank's earnings have remained strong.

The trailing 12-month earnings only declined 2.5% compared with 2014's earnings. So, there's a misalignment with how the business performed and its double-digit sell-off.

The bank runs its business conservatively. Over the course of nine years, the bank has experienced low write-offs relative to the level of gross impaired loans. This reflects the bank's secured lending practices and disciplined underwriting.

In fact, from 2011 to the present Canadian Western Bank has experienced lower credit losses compared with the Big Six Canadian banks, such as **Royal Bank of Canada**, **Bank of Montreal**, and **National Bank of Canada**. Canadian Western Bank also has lower leverage compared with the Big Six.

Canadian Western Bank also has increased its dividends for 23 years in a row. Even the Big Six Canadian banks haven't achieved that. At $25 per share, Canadian Western Bank yields 3.5% and has the potential to reach $39 based on historical trading multiples, implying 56% potential capital appreciation. With the dividend, there's a potential total return of 59%.

Inter Pipeline yields 5.8%

Inter Pipeline Ltd. (TSX:IPL) has gone down 29% from its 52-week high of $36 to $25.5 today. This is unquestionably due to the low oil price. Inter Pipeline transports, processes, and handles 1.9 million barrels of energy products every day. It is engaged in oil sands and oil transportation, natural gas extraction, and bulk liquid storage.

For example, its assets include a 3,800 km pipeline network in western Canada, and 27 million barrels of liquid storage capacity in Europe. Roughly 91% of its earnings come from Canada and 9% come from Europe.

The energy infrastructure business has increased dividends for seven years in a row. Its five-year dividend compound annual growth rate was roughly 10%, among the highest growth in its peer group.

At $25.5 per share, Inter Pipeline yields 5.8% and has the potential to reach above $32 based on historical trading multiples, implying potential for 25% capital appreciation. With the dividend, there's a potential total return of 30%.

In conclusion

Both companies are cheap due to the low oil price. As the oil price slowly recovers, their share price will recover, too. They can potentially provide double-digit gains of 25-56%. In the meantime, shareholders can enjoy higher yields of 3.5-5.8% compared with historical levels.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CWB (Canadian Western Bank)

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Date
2025/08/23
Date Created
2015/10/26
Author
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