



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

### Description

The market rebound has reduced the number of oversold dividend stocks investors have to choose from, but a few top names still look like they have decent upside potential.

Here are the reasons why I think investors with a bit of cash on the sidelines should consider **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) and **Inter Pipeline Ltd.** (TSX:IPL).

#### Enbridge

Enbridge is down with the broader energy sector, but the sell-off looks overdone.

The company isn't an oil and gas producer; it simply acts as a toll road, collecting a fee for transporting the product from the producers to the end users. As a result, the main issue is volume—not the market price of the commodity. In fact, less than 5% of Enbridge's revenue is directly impacted by changes in oil and gas prices.

Producers have slashed spending and shelved development projects, and that could eventually mean lower throughput and less demand for new pipeline infrastructure. We will have to see how things pan out over the long haul, but in the meantime, Enbridge has more than enough projects on the go to keep dividend investors happy.

The company plans to complete \$18 billion in new infrastructure by 2019. This will ensure revenue and cash flow continue to rise, and Enbridge says it will increase the dividend by 10-12% per year as those projects go into service. The current quarterly payout yields 4.3%.

The stock has bounced about 20% off the low but still sits significantly below its 12-month high. If oil prices continue to recover, Enbridge investors should see more gains.

#### Inter Pipeline

Inter Pipeline's stock also took a hit as oil prices plummeted, but the company continues to rack up record results.

This niche player in the Canadian oil sector carries about 35% of the country's oil sands output. Unlike conventional producers who tap resources with short lifespans, oil sands companies operate facilities with production horizons that span decades. The plants cost billions to set up and, once they begin operations, it is very expensive to shut them down, so companies are going to keep producing even when prices are extremely low.

In some cases, they are still ramping up output.

Inter Pipeline completed two major pipelines in 2015, and those assets are partly responsible for the company's 32% jump in year-over-year Q4 2015 funds from operations. The company also owns a growing liquids storage business in Europe. Funds from operations in that division jumped 79% on the back of new assets and a 97% utilization rate.

Inter Pipeline recently hiked the monthly dividend by more than 6% to 13 cents per share. The current payout offers a yield of 6.1%.

Investors finally clued in that the sell-off was overdone and have pushed the shares up 15% in 2016, but Inter Pipeline still offers some big upside potential on further gains in oil prices.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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