2 Former Dividend Stars That Could Make a Comeback in 2017

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) and **TransAlta Corporation** (TSX:TA)(NYSE:TAC) have slashed their payouts in recent years, but dividend growth could once again be on the horizon.

Let's take a look at the one-time dividend kings to see if they deserve to be in your portfolio right now.

Crescent Point

Crescent Point's dividend was long considered to be bullet proof, but the extended oil rout eventually took its toll on this company's juicy payout.

With uncertainty facing the industry, and hedging positions quickly running out, Crescent Point cut its monthly distribution from $0.23 per share to $0.10 and then again to the current level of $0.03.

That's good for a yield of 2% at today's price, which makes Crescent Point an interesting play right now.

The current payout should be safe if oil continues to struggle. In the event that the recent oil rally is sustainable or even continues through 2017, Crescent Point is poised to deliver strong free cash flow, and that could result in an upward move in the dividend.

As a contrarian pick, value investors see strong upside potential from the current price of $18 if oil prices are truly on the mend. Remember, this stock was worth $45 per share in the summer of 2014.

TransAlta

TransAlta was hit by a perfect storm of high debt, falling power prices, and a broad-based attack on coal-fired electricity generators.

As a result, the stock took a beating, and management was forced to trim the quarterly dividend from $0.29 per share to $0.18 and then again to just $0.04, where it currently stands.

The share price also fell, sliding from above $20 per share to below $4 in early 2016, but it has since recovered somewhat and now trades above $7.

Where's the attraction?

A recent agreement between Alberta and the province's coal-plant operators has cleared up much of the uncertainty about TransAlta's future, and investors haven't quite clued in yet as to what that could mean for the stock.

Alberta will give TransAlta annual payments of $37.4 million from 2017-2030 in exchange for efforts to convert a number of the coal-fired facilities to natural gas by 2023.

TransAlta will also be a key player in replacing lost coal-fired capacity with new renewable energy investments.

Alberta currently relies on coal plants to meet about half of its electricity needs, so there has to be some incentive to get companies to invest in new power assets to replace coal plants that will be retired.

As a result, Alberta is switching its pricing system to pay producers for their production capacity as well as the power they produce.

TransAlta stands to benefit under the new structure, and investors should see some nice medium-term gains as the situation improves in Alberta.

TransAlta's dividend currently yields 2.2%.

Is one more attractive?

At this point, I would say it is pretty much a draw between the two names from a dividend-growth perspective.

Crescent Point probably offers better upside potential in the near term, while patient investors could see TransAlta's stock drift a bit higher this year and then deliver strong returns and growing dividends over the medium term.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. NYSE:VRN (Veren)
3. TSX:TA (TransAlta Corporation)
4. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Investing

Date
2025/08/24
Date Created
2017/01/09
Author
aswalker