2 Energy Stocks With Big Yields to Buy Now

Description

The energy space offers opportunities to shop for above-average yields. The income can also be complemented by lucrative price appreciation.

The recent pullbacks in **Vermilion Energy Inc.** (TSX:VET)(NYSE:VET) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) warrant your immediate attention.

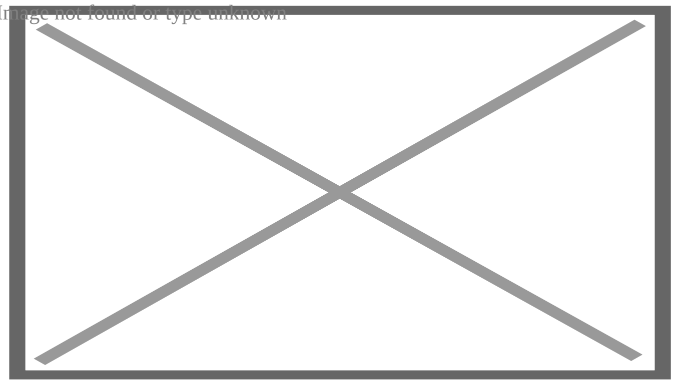
Vermilion Energy

Shares of Vermilion have declined 20% year to date. At about $44.90 per share, the oil and gas producer is good for a yield of nearly 5.8%. The big yield compensates investors for holding a company whose stock price is affected by the volatility in commodity prices.

Since its inception, Vermilion has outperformed the energy indices in different multi-year periods. There's no doubt its outperformance has partly to do with its dividend, which it has sustained since 2003. In fact, the oil and gas producer has raised its dividend per share three times since 2003.

Vermilion's cash flows should be more stable than its North American peers' because its global assets offer commodity diversification and premium pricing compared to its North American assets.

Image not found or type unknown



This year, Vermilion forecasts it will generate 67% of its funds from operations (FFO) from Brent oil

(36%) and European natural gas (31%), which tend to trade at a premium price to North American oil and gas.

The company estimates that it can generate FFO of $635 million this year. If so, it'd cover its monthly dividend and the capital spending for its exploration and development with +$29 million left over.

Enbridge

Shares of Enbridge have pulled back north of 6% year to date. At roughly $52.80 per share, Enbridge offers a yield of 4.6%. Although that's a smaller yield compared to the one that Vermilion offers, Enbridge's cash flows are more stable because they are less impacted by changes in commodity prices.

After the merger with Spectra Energy, Enbridge has a $48 billion backlog of projects, which will help the energy infrastructure company to grow its dividend per share at a compound annual growth rate of 10-12% from 2018 through 2024 with a target payout ratio of 50-60%.

Investor takeaway

Vermilion is a good name to target for capital gains, while shareholders get a big yield to wait. Fifteen analysts at **Thomson Reuters** have a 12-month mean price target of $58.90 per share, which implies near-term potential upside north of 30% from current levels.

Enbridge can be a part of a long-term dividend portfolio for its growing dividend and expected higher share price over time as the company becomes more profitable. Its yield is competitive at 4.6% today. Fourteen analysts at Thomson Reuters have a 12-month mean price target of $63.60 per share, which indicates near-term potential upside of over 20% from current levels.

It'd be prudent to ease into both stocks over time instead of taking a big bite all at once as we don't know if they'll continue to make new lows.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:VET (Vermilion Energy)
3. TSX:ENB (Enbridge Inc.)
4. TSX:VET (Vermilion Energy Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/08/13
Date Created
2017/05/19
Author
kayng