2 High-Yield Canadian Dividend Stocks With Big Potential Upside

Description

Once in a while, investors get a chance to pick up quality dividend stocks at fire-sale prices.

You have to have some courage to step in when everyone else is hitting the sell button, but the rewards can be impressive when you make the right call.

Let’s take a look at **Inter Pipeline Ltd.** (TSX:IPL) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) to see why they might be interesting picks.

IPL

IPL owns natural gas liquids (NGL) extraction assets, conventional oil pipelines, oil sands pipelines, and a liquids storage business in Europe.

default watermark

The revenue mix has enabled the company to navigate through the oil rout in good shape, and management has even taken advantage of the tough times to add strategic assets at attractive prices.

For example, IPL purchased two NGL extraction facilities and related infrastructure from **The Williams Companies** for $1.35 billion last year. The price was much less than the cost of building the facilities, so IPL stands to get a nice return on the investment as markets recover.

The company also has about $3 billion in development projects under consideration.

IPL has raised its dividend annually through the downturn, and investors should see continued distribution growth as new assets come online and begin to generate revenue.

In addition, the Q1 2017 payout ratio was just 61%, so the dividend should be safe, even if the oil patch gets hit with another big dip in crude prices.

At the current stock price, IPL provides a dividend yield of 6.4%.

CIBC

CIBC has a history of making big blunders.

The most recent was the billions in write-downs the company had to take on bad subprime bets in the United States before the Great Recession.

After the financial crisis, management focused on the Canadian market, and that move has proven to be a profitable one, as Canadians loaded up on debt.

Now, investors are afraid CIBC is too exposed to Canada and will take a nasty hit if house prices pull back.

A total collapse in the housing market would certainly hit CIBC harder than its peers, but things would have to get pretty bad before the company takes a material hit.

In fact, CIBC said last August that a 30% drop in home prices and 11% national unemployment would result in mortgage losses of less than $100 million.

Management recently made a strategic move to diversify the revenue stream. The company is buying Chicago-based PrivateBancorp in a deal that gives CIBC a strong base to expand its U.S. presence.

The stock now trades at a significant discount to the other big banks, making CIBC an appealing pick for contrarian investors.

More downside could be on the way in the near term, but over the long haul, the stock should do well.

CIBC's dividend yields 4.8%.

Should you buy?

Both stocks are starting to look oversold, and their dividends should be safe, even if market conditions get worse.

If you have some cash sitting on the sidelines, it might be worthwhile to start nibbling on IPL and CIBC.

default watermark

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/24
Date Created

2017/07/04
Author
aswalker

default watermark

default watermark