



Contrarian Investors: 2 High-Yield Stocks That Look Cheap Right Now

Description

Once in a while, the market provides investors with an opportunity to pick up great yields while getting a shot at some big capital gains.

Let's take a look at **Inter Pipeline Ltd.** (TSX:IPL) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) 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.

The balanced revenue stream has helped the company weather the storm in the oil market quite well, and management has even taken advantage of the downturn to add strategic assets at attractive prices.

The largest deal was last year's purchase of two NGL extraction facilities from **The Williams Companies** for \$1.35 billion. The deal was done at a significant discount to the cost of building the assets, so IPL could see a nice return on the investment in the coming years as the market recovers.

IPL is evaluating \$3 billion in capital projects. If the developments get the green light, investors should see a nice boost to cash flow in the coming years.

The stock pays a monthly dividend of \$0.135 per share for an annualized yield of 6.6%.

Bargain hunters have started to pick up the shares after the 2017 pullback, but more upside could be in the cards if oil prices continue to recover.

Enbridge

Enbridge closed its \$37 billion acquisition of Spectra Energy earlier this year in a deal that created North America's largest energy infrastructure company. The move also provided a nice boost to the

capital plan.

Enbridge now has about \$31 billion in commercially secured development projects on the go. As the new assets are completed and begin to generate revenue, Enbridge expects cash flow to increase enough to support annual dividend growth of at least 10% per year through 2024.

The stock has come down amid the broader pullback in the energy sector this year, but the sell-off might be a bit overdone.

Why?

Enbridge isn't an oil and gas producer; it simply transports the commodities from the point of production to the end user and charges a fee for the service. Most of its customers are locked into long-term agreements and tend to be large companies with strong balance sheets. As a result, changes in energy prices have limited direct impact on the company's revenue.

The current quarterly dividend provides an annualized yield of 4.8%, so investors are looking at some nice returns in the coming years, even if the stock doesn't move higher.

Is one more attractive?

Both stocks have sold off significantly and could see a nice rebound if the recent rally in oil prices picks up steam.

IPL provides a higher yield today and probably offers more upside torque. If you prefer a safer play, Enbridge should be an attractive buy-and-hold pick at the current price.

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