Contrarian Investors: 2 Unloved Dividend Stocks Yielding 5-6%

Description

Contrarian investors are always searching for beaten-up stocks that might offer attractive upside potential.

In some cases, these companies pay big, sustainable dividends, which can generate attractive yield while investors wait for better days.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Inter Pipeline Ltd.** (TSX:IPL) to see why they might be interesting picks.

Enbridge

Enbridge is trading at its worst levels of the year after Q3 2017 earnings came in a bit weaker than analysts expected.

What happened?

Lower revenue from the company's natural gas operations partially offset the benefits realized from the addition of Spectra Energy earlier this year.

The company expects Q4 to be better, driven by increased liquids volumes and a full quarter of revenue coming from recently completed projects. As a result, Enbridge is sticking with its 2017 earnings guidance of $3.60-3.90 per share.

Looking beyond the end of 2017, Enbridge is working on $31 billion in commercially secured projects that it has previously said would support annual dividend growth of 10-12% per year through 2024.

The statement was omitted in the Q3 earnings release, which might be why the stock took a hit.

At the time of writing, Enbridge's current dividend provides a yield of 5.2%. The distribution might not increase at the top end of previous guidance in the coming years, but investors should still see solid growth.

IPL

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

The stock took a hit over the past three years, and while IPL has recovered some of its losses, it still trades significantly below its 2014 highs.

The company's Q2 payout ratio was about 73%, so the existing dividend should be safe. The company raised the payout in each of the past three years and provides an annualized yield of 6.1%.

In addition, IPL is evaluating $3 billion in capital projects and has taken advantage of the downturn to add strategic assets at attractive prices. If the new projects get the green light and market prices continue to improve, revenue and cash flow should get a boost in the coming years to support dividend increases.

Is one more attractive?

Both stocks offer above-average yields and a shot at some nice upside gains on a recovery in the energy infrastructure sector.

Enbridge looks a bit oversold right now, so I would probably make the pipeline giant the first pick.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/07/03
Date Created
2017/11/08
Author
aswalker