

These Dividend Stocks Can Make a Comeback in 2018

Description

Underperformers today can be [outperformers](#) tomorrow. These stocks have underperformed in the last 12 months, but recent changes can allow them to make a comeback in 2018.

With the WTI oil price having recovered to more than US\$60 per barrel — the strongest it has been in three years — we should see strong performance in energy stocks, which have large oil exposure.



Vermilion Energy Inc. ([TSX:VET](#)) ([NYSE:VET](#)) estimates its production mix to be 24% Brent oil, 14% WTI oil, 32% European gas, 24% Canadian gas, and 6% natural gas liquids. From its production, it estimates to generate 56% of its funds from operations from oil and 44% from gas.

Even accounting for its rich dividend, Vermilion Energy only requires a WTI price of US\$40 per barrel to break even. So, at +US\$60 oil, Vermilion Energy should do very well. At the recent quotation of about \$46.70 per share, the company offers a ~5.5% yield.

Vermilion Energy stock seems to have stabilized in the second half of 2017. If oil prices stay above US\$60, the company can experience some nice upside.

Alaris Royalty Corp. (TSX:AD) offers capital to private businesses that want to maintain the ownership in their companies but can't get the capital they need from traditional means. In return, Alaris gets monthly cash distributions from them.

The stock got to as low as \$18 per share last year, as the company had problems with some revenue streams, and it looked like its dividend wasn't sustainable.

Thankfully, there was a turn of events in December. The company deployed capital in two existing partners and was waiting to deploy more capital in a new partner.

Additionally, it also expected to generate more cash flow from some of its existing partners. The result is that Alaris's dividend will be more sustainable with a run-rate payout ratio of less than 90%.

At about \$20.30 per share, Alaris offers a nearly 8% yield. Such a high yield might scare some

investors away. That said, income investors who can stomach the risk may choose to consider a small position in their portfolios to [reduce risk](#).

Investor takeaway

Vermilion Energy and Alaris have underperformed in the last 12 months by falling +18% and +14%, respectively. They now offer above-average yields of ~5.5% and ~8%.

Both stocks should fare better and potentially make a comeback in 2018. For Vermilion Energy, it'd be due to higher oil prices, which have improved drastically in the last six months. For Alaris, it'd be due to better coverage of its dividend from higher cash flow generation.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:AD.UN (Alaris Equity Partners Income Trust)
3. TSX:VET (Vermilion Energy Inc.)

PARTNER-FEEDS

1. Msn
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Date

2025/08/24

Date Created

2018/01/08

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