



Income Investors: Dividend Raises or Reinstatement Are Predicted for These Energy Stocks

Description

Analysts at AltaCorp Capital Inc. and **BMO** Capital Markets predicted last week that **Husky Energy Inc.** (TSX:HSE) may soon reinstate the dividend — previously suspended in 2015 — as a sustained rebound in oil prices and other corporate strategies have improved the financial metrics for the energy giant. And dividend raises have been forecasted for several other energy stocks, including **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)).

BMO predicted a new dividend of \$0.30 per share per annum for Husky Energy stock; while it isn't that big a payout to make income investors instantly enthusiastic, the 1.63% annual dividend yield could add to capital gains for 2018.

Most encouraging is the fact that Husky is finally beginning to make moves to offer investors some cash rewards as the financial position of the integrated energy giant continue to strengthen with the recent rally in global oil prices.

Most noteworthy, Husky's CEO Rob Peabody hinted at a growing dividend stream. In a recent CIBC Institutional Investor Conference presentation speech, Peabody said, "My view is we should put in a dividend that is compatible with our peers but, if anything, a little to the low side ... [so] it can grow over time, because that's what investors seem to value the most."

On November 2, 2017, Fool contributor Joey Frenette [forecasted](#) a possible dividend reinstatement for Husky if oil price reached the US\$60 territory, as the firm has significantly improved its financial position.

There has been a return of bullish investor sentiment on the stock of late. The CEO affirmed during the January 24th investor conference mentioned above that the firm's financial conditions are now right to allow a dividend reinstatement. He commented that the dividend shall be on the low end and in line with peers.

While the company is yet to pass a final decision on the size of the dividend, the fact that it is

reinstating a dividend shows increased management confidence in the future financial prospects for the company, and the mention of a growing dividend payout by a senior executive strengthens investor opinion that the company intends to attract income investors back to the stock.

The company probably intends to attract a new class of investors into its equity. The current investor group in Husky stock was mainly seeking capital appreciation; new investors after a dividend reinstatement will include income seekers who are attracted to the concept of a stable and growing dividend stream.

A higher proportion of income investors may bring more share price stability in the stock, as this class of investors usually do not trade their portfolios that frequently, and they would love to capture dividend growth, especially once there is a promise of such.

Another small positive on the stock last week was the January 26th announcement that Husky has been given the green light to resume operations at its SeaRose FPSO facility in the White Rose offshore oilfield. Operations were suspended on January 17, 2018, after an order to that effect was issued by the Canada-Newfoundland and Labrador Offshore Petroleum Board due to an improperly managed iceberg incident which occurred in May 2017.

AltaCorp Capital reportedly predicted that other stocks will have dividend increases this year, including Suncor, **Imperial Oil Limited** ([TSX:IMO](#))(NYSE:IMO), and **Canadian Natural Resources Limited** ([TSX:CNQ](#))(NYSE:CNQ)

Suncor's \$0.32 quarterly dividend currently offers a yield of 2.77%, while Imperial Oil's quarterly dividend yields 1.64% per annum. Canadian Natural Resources's current dividend yield is 2.48%, which is paid quarterly, too.

Good things are set to happen in the energy sector this year, as oil prices continue hitting multi-year highs, and Western Texas Intermediate could potentially hit \$70 per barrel by the third quarter 2018.

Investors in energy stocks could harvest increasing dividend yields, while registering capital gains on their holdings.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. NYSE:SU (Suncor Energy Inc.)
3. NYSEMKT:IMO (Imperial Oil Limited)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:IMO (Imperial Oil Limited)

6. TSX:SU (Suncor Energy Inc.)

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Date

2025/08/22

Date Created

2018/01/30

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