Contrarian Investors: Should Crescent Point Energy Corp. or Inter Pipeline Ltd. Be in Your TFSA?

Description

Value investors are searching for beaten-up stocks that could be on the verge of a recovery, and holding these names inside a TFSA makes sense.

Why?

All distributions and capital gains earned inside the TFSA are yours to keep. That's right; the taxman doesn't get a cut of the profits. This can have a big impact on your pocketbook if you manage to pick up a stock before it rallies.

Let's take a look at **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) and **Inter Pipeline Ltd.** (TSX:IPL) to see if one is an attractive choice right now.

Crescent Point

Crescent Point was a $45 stock when oil traded at US$100 per barrel. Today investors can pick the company up for less than $10 per share. To make matters worse, Crescent Point was once a go-to name for income investors, but the company was forced to cut its generous monthly dividend from $0.23 per share to $0.10 and then again to the current level of $0.03.

Investors who buy today might think the 3.8% yield is attractive, but it isn't much consolation for long-term holders of the stock.

Despite the ugly chart, Crescent Point is actually in reasonable shape. The debt load remains high, but the company is well within its lending covenants. In addition, production is rising, and the recovery in oil prices since last summer should help boost margins.

An additional surge in the price of oil could bring a wave of money back into the sector, and Crescent Point would likely see some nice upward torque as a result.

IPL

IPL made it through the oil rout in pretty good shape. In fact, management took advantage of the downturn to add strategic assets at attractive prices, including the $1.35 billion purchase of two NGL extraction facilities and related infrastructure from **The Williams Companies**.

The deal was done at a significant discount to the cost of building the assets, so IPL could see strong returns on the investment going forward.

In addition, IPL recently gave the green light to its $3.5 billion Heartland Petrochemical Complex. The development should be finished by the end of 2021 and is expected to generate annual EBITDA of $450-500 million.

IPL has a solid track record of dividend growth, although additional increases might be on hold until the new project is complete. The 2017 payout ratio was 62%, so the existing distribution should be safe.

At the time of writing, the stock provides a yield of 7.3%.

Is one attractive?

Both stocks offer strong upside potential on a recovery in the energy market, but I would probably make IPL the first pick today. The pipeline and NGL extraction assets are performing well, and the pullback in the stock might be overdone. At the very least, you can pick up a great yield while you wait for better days.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/24
Date Created
2018/02/26
Author
aswalker