2 Energy Stocks With High Dividend Yields and Massive Upside

Description

With oil closing in on $70 yesterday, we have a resurgence of the oil bulls and of the realization that we have many energy stocks that are trading at very attractive valuations with big upside.

But for those investors who wish to play it a little safer, **Freehold Royalties Ltd**. (TSX:FRU) is a dividend-paying energy stock that is the relatively safe choice. As a royalty company with none of the operating costs associated with its production, it is a smart, defensive way to play the energy space.

default watermark

And with strong results in 2017, which included a 5% dividend hike last year and a current dividend yield of 4.77%, Freehold is in great shape.

In 2017, revenue increased 17%, cash flow increased 32.9%, and the company's payout ratio was a very strong 60%, which is in the low end of the range that management has stated is their target.

It's safe and steady — a low-risk business model for exposure to the energy space. This is for those investors that would like exposure without as much risk as the average energy stock.

Moving to my second pick and on to the natural gas space of the energy market, we have a stock that is also showing an attractive dividend yield as well as strong company fundamentals, although the natural gas market fundamentals are not so pretty.

Nonetheless, this is a great time to snatch up industry-leading **Peyto Exploration and Development Corp.** (TSX:PEY), the lowest-cost intermediate natural gas producer with a 6.3% dividend yield.

This one is for the contrarian investors out there.

The company just posted its 18th consecutive year of profits, with a 55% increase in EPS and a 12% increase in funds from operations.

The stock is down big, while cash flow from operations increased 10% in 2017, and returns have been industry leading.

With the demand/supply balance of the natural gas market being very bearish for a long time now, it is no surprise that investors would probably want to stay away from Peyto, despite the fact that this is a very high-quality company.

Since 2010, Peyto's production has increased from roughly 20,000 boe per day to almost 100,000 boe per day. And the company has achieved its target production rate of 115,000 boe per day in 2017.

The company has responded to difficult times by reducing its dividend and capital-expenditure program to ensure its long-term success.

When Peyto cut its dividend, the stock rallied in response. The dividend yield fell from almost 9% to the current 6.3%, but the payout ratio also fell, of course, leaving investors more comfortable with the company's financials.

For patient investors, buying Peyto at the worst of times means getting a high-quality natural gas producer at bargain prices — if we can withstand the stress, and I think we can.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

default watermark

TICKERS GLOBAL

1. TSX:FRU (Freehold Royalties Ltd.)
2. TSX:PEY (Peyto Exploration & Development Corp)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/26
Date Created
2018/04/19
Author
karenjennifer

default watermark