2 High-Yield Energy Stocks for Income Investors

Description

The recent downturn in the energy sector is giving investors who missed the rally over the past year a chance to pick up attractive dividends and book a shot at some nice capital appreciation on a change of sentiment.

Let's take a look at two stocks that might be interesting picks right now.

Vermilion Energy Inc. (TSX:VET)(NYSE:VET)

Vermilion is an international oil and gas producer with assets in Canada, Europe, Australia, and the United States.

Canadian production represented about 50% of output in the first half of the year. Operations in France, the Netherlands, Germany, and Ireland accounted for a total of 43% of output. Australia kicked in 6% and the U.S. assets contributed 1%. Funds flow from operations was more lopsided, with the European business units accounting for 58%, while 33% came from Canada. Australia provided 8% and the U.S. rounded out the rest.

Capital spending is ramping up in the United States in 2018, so the U.S. assets should start to make larger contributions in the coming years. In addition, the recently closed $1.4 billion acquisition of Spartan Energy will boost Canadian contributions to production and cash flow.

The company reported Q2 2018 funds flow from operation of $193 million, representing a 31% increase over the same period last year. Vermilion raised its monthly dividend from $0.215 to $0.23 per share earlier this year. That's good for a yield of 6.7%.

Going forward, management expects to fully fund the capital program and dividend through internally generated funds from operations. Given the outlook, the 15% drop in the stock over the past two months looks a bit overdone.

Pembina Pipeline Corp. (TSX:PPL)(NYSE:PBA)

Pembina is a major player in the western Canadian energy infrastructure sector with gathering and processing assets handling oil, natural gas, and natural gas liquids.

Pembina reported solid Q2 2018 results. Adjusted cash flow from operating activities came in at $558 million, or $1.11 per share, compared to $275 million, or $0.68 per share in the same period last year. Adjusted EBITDA was $700 million, compared to $297 million in Q2 2017.

The strong results are a result of the Veresen acquisition and steady demand for the company's services. Higher commodity prices also helped, driving up revenue in the marketing segment.

Pembina has numerous development projects on the go that should provide a nice boost to cash flow over the next few years. The company raised the monthly dividend in May by a penny to $0.19 per share. That's good for an annualized yield of 5.25%.

The bottom line

Vermilion and Pembina pay above-average dividends that continue to grow. The recent pullback in both stocks gives income investors an opportunity to buy the shares at reasonable prices and secure attractive yield with good upside potential.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:VET (Vermilion Energy)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:VET (Vermilion Energy Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/23
Date Created
2018/09/13
Author
aswalker