3 Energy Stocks With Absurdly High Dividend Yields

Description

The Canadian Energy sector has fallen on hard times lately. Beaten down by falling oil prices, project setbacks, and withdrawal of foreign investment, the **S&P/TSX Capped Energy Index** is down over 15% in a 12-month period. And there's some justification for this in fundamentals. Many energy stocks saw earnings fall in 2018, when the price of crude oil tanked 30%.

But the fall in the prices of energy stocks has had one positive effect: they have driven dividend yields up. With energy stocks down 15% on average (and some much more than that), dividend yields in the sector are heading north of 6% rapidly, with some well over 8%. Of course, yields in this range can be unsustainable, and it's worth remembering that in many cases the sliding prices in the energy sector are justified by fundamentals. But for bold investors who are willing to take on some risk, there's serious income to be earned in this beaten-down industry. The following three stocks would be great places to start.

AltaGas (TSX:ALA)

AltaGas is involved in both natural gas extraction and regulated utilities. Its Townsend Complex facility processes and sells natural gas, while dozens of other facilities are engaged in everything from ethane extraction to hydroelectric energy production. In its most recent quarter, AltaGas grew its revenue at an impressive 107%, although profit measures were mixed: "normalized EBITDA" (a non-GAAP measure) was $226 million (up from $190 million), while GAAP net income was -$726 million. The stock's anticipated dividends for 2019 are $0.96, which gives a yield of about 7%.

TransAlta Renewables (TSX:RNW)

TransAlta Renewables is a renewable energy company that specializes in hydro, wind, and solar. The company is solidly profitable, with $12 million in net income in Q3 compared to a $78 million loss in the same quarter a year before. For 2019, the stock pays an annualized dividend of $2.67 for a whopping yield of 8% — with a low payout ratio of 46% to boot!

Inter Pipeline (TSX:IPL)

Inter Pipeline is a is a petroleum transportation and infrastructure partnership that ships over a million barrels of oil a day. The company is in the favourable position of being profitable and growing: in its most recent quarter, it earned $169 million in net income, up from $142 million in the same quarter a year before. This company is positioned to profit in an environment of falling oil prices; because it's mainly involved in transportation, it charges fees rather than a percentage of sales, so its income is safe as long as shipments are high.

Inter Pipeline is another energy stock in the +8% dividend club. It pays a monthly dividend of $0.14, which works out to $1.68 annually for a yield of 8.1% at the time of this writing. This high yield is especially impressive given the company's thriving business; many stocks with unusually high dividends are justifiably depressed, but Inter Pipeline's fundamentals are sound.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)
2. TSX:RNW (TransAlta Renewables)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/09/11
Date Created
2019/02/07
Author
andrewbutton