Dividend Investors: 3 Top Picks From 1 of Canada’s Most Defensive Industries

Description

Newcomers to the TSX index have a treat ahead of them: several high-tier energy stocks are attractively valued at the moment and pay some of the best dividend yields available to Canadian investors. From a +8% yield to high growth, the following trusted tickers have an appealing spread of impressive stats and represent some of the best picks from the ever-defensive energy sector. Market variables, balance sheets, and outlook are analyzed to ascertain which stocks are the best buys.

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

One of the most intriguing TSX index energy stocks is up 4.25% in the last five days and expecting a significant annual earnings-growth rate of 115.8% over the next one to three years. More shares in Vermilion Energy have been bought by insiders than sold in the last three months, making it a hot pick for defensive dividends at the moment.

A forward annual dividend yield of 8.3% somewhat plasters over a few bothersome bits of data, though. Its expected ROE of 6.9% is a little low, for one thing. Negative past one- and five-year earnings-growth rates are also a pair of red flags for wary investors looking for a strong track record, and a fairly high debt level of 73.8% of net worth may put off investors with a low appetite for risk.

Parkland Fuel (TSX:PKI)

With a P/E of 27.9 times earnings and P/B of 2.9 times book, Parkland Fuel is priced close to its future cash flow value. Compare this valuation with that of Vermilion Energy: that stock, while technically undervalued by 17%, is currently selling at twice book, though the biggest Canadian energy stocks average at around 1.6 times book.

A dividend yield of 3.11%, paired with a 33.5% expected annual growth in earnings, makes for a solid stock. Those investors looking for a decent track record should take note of a one-year past earnings growth of 395.3%, (though even its five-year average past earnings growth of 10.8% would be theenvy of some top-tier energy stocks).

TORC Oil & Gas (TSX:TOG)

One of the most interesting stocks on the TSX index, more shares in TORC Oil & Gas have been snapped up than shed by insiders in the past three months, though not by any great amount. A gain of 6.11% in the last five days coupled with a high one-year past earnings-growth rate signify a stock that is on the up.

With a below-threshold comparative debt level of 22.1% of net worth, TORC Oil & Gas is the healthiest of the dividend-paying energy stocks on this list. A significant 27.8% expected annual growth in earnings, paired with a dividend yield of 5.64%, makes for a solid buy for both capital gains and passive income investors.

The bottom line

TORC Oil & Gas is arguably the better dividend stock of the three, with its decent mix of good value, expected growth in earnings, and regular passive income. Its P/E of 29.3 times earnings seems to be par for the course for a top-tier energy stock, while its P/B of 0.7 times book signals undervaluation in terms of assets, beating both the industry and the TSX index as a whole.

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TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:PKI (Parkland Fuel Corporation)
3. TSX:VET (Vermilion Energy Inc.)

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