Value Investors: 3 Cheap Dividend Stocks to Consider Today

Description

Once in a while investors get a chance to buy stocks that offer attractive yield as well as a shot at some nice capital gains.

Let's take a look at three stocks that appear oversold and offer above-average dividends that should continue to grow.

Inter Pipeline (TSX:IPL)

Inter Pipeline might not get the same attention as the larger energy infrastructure players, but the company deserves to be on your radar.

Inter Pipeline owns natural gas liquids (NGL) processing facilities, conventional oil pipelines, oil sands pipelines, and a liquids storage business located in Europe. During the low point of the energy rout, the company acquired two NGL sites at a huge discount to their construction cost.

A recovery in the market has helped boost cash flow in that pillar of the business, and the NGL processing group was largely responsible for Inter Pipeline's record results in Q4 2018.

In addition, the company is making good progress on its $3.5 billion Heartland Petrochemical Complex. The project should boost annual EBITDA by at least $450 million once the facility goes into service in late 2021.

The board has raised the dividend for 10 straight years, and the current payout provides a yield of 7.8%. The stock trades at close to $22 per share right now, but was as high as $39 per share in 2014, so there is strong upside potential once sentiment improves in the Canadian energy patch.

Power Financial (TSX:PWF)

Power Financial is up from $25 per share in December to above $32 at writing, but more gains should be on the way. The holding company owns positions in a number of long-established Canadian insurance and wealth management businesses, as well as upcoming disruptors, including Wealthsimple.

Power Financial reported strong results for Q4 2018 and just increased the dividend by more than 5%. The current payout provides a yield of 5.6%.

The decision by both the U.S. Federal Reserve and the Bank of Canada to put rate hikes on hold is providing a nice boost to the financial sector, which had arguably been oversold through the end of last year. It wouldn't be a surprise to see Power Financial take a run at $40 per share by the end of 2019.

Vermillion Energy (TSX:VET)(NYSE:VET)

Vermillion Energy operates oil and gas production assets in Europe, Australia, and North America. The international exposure has allowed the company get Brent pricing for a good chunk of its output, giving Vermillion Energy an advantage over some of its peers. The company is currently the largest oil producer in France.

The stock has fallen from close to $80 per share in 2014 to below $30 late last year. A bounce now has it back up to about $34, and given the recent recovery in the oil market, more gains should be on the way. Vermillion Energy raised its dividend last year, and investors who buy today can pick up a yield of 8.1%.

The bottom line

Inter Pipeline, Power Financial, and Vermillion Energy all pay attractive dividends that should continue to grow. The stocks appear cheap today, so investors could also see some nice capital gains materialize in the coming years.

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Date
2025/08/17
Date Created
2019/04/10
Author
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