Why Dividend Investors Should Consider These 2 Oil and Gas Stocks Today

Description

For investors looking for a dividend, oftentimes the temptation is to gravitate towards the highest-yielding stock or the one that is the safest. The problem with the former is that you could end up taking on too much risk, while the latter might not generate any growth.

Taking on some calculated risk, however, can produce better-than-average returns. And that's why, although oil and gas stocks might be worrisome for investors today, they could be the best deals on the markets.

Take, for instance, a stock like **Suncor Energy** (TSX:SU)(NYSE:SU). It pays its shareholders a very strong dividend of 3.9% per year, and investors can expect its payouts to rise over time. However, over the past 12 months, Suncor's share price has fallen by more than 15%. Although it's not quite at a 52-week low, it's still a good value investment, trading at just 1.5 times book value and 17 times earnings.

Those are some modest multiples for value investors. Suncor, however, is more than just a value investment, as it has a lot of growth potential and has produced some strong results lately. Only one of its past five quarters have landed in the red and over the trailing 12 months, and it has accumulated $6.4 billion in free cash.

Not only is the dividend in great shape, but with that much cash at its disposal, Suncor is in a good financial position and capable of taking advantage of any opportunities that may come its way. The stock looks undervalued given the strong numbers it has produced, even with the oil and gas industry still nowhere near fully recovered.

Once the industry gets going again, this is one stock that investors will bid up in a hurry. Oil and gas might be a risk, but Suncor is certainly an exception to the case and could provide significant returns for investors.

Inter Pipeline (TSX:IPL) is another stock that has done very well under challenging industryconditions. While it might not be as strong as Suncor is, the stock has been no slouch either; thecompany has consistently posted a profit over the past year and sales have increased by 67% since2014.

The company has been able to see its performance improve during a time when its peers in the industry have struggled. And while its dividend may be a bit high at more than 8% per year, Inter Pipeline has shown a determination to keep on raising its payments, as it remains confident that it can maintain the payouts.

With payments being made monthly, this is a very appealing option for investors that want some recurring cash flow for their portfolio. And like Suncor, Inter Pipeline also trades at very modest multiples, at 15 times earnings and just 2.2 times book value. It has declined by 13% over the past year, and it's still in recovery mode, nowhere near the high of more than $25 that it reached in 2018.

An 8% yield coupled with an even modest return would make this a great dividend stock to own for any investor.

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