3 Ultra-High Yield Energy Stocks for Dividend-Growth Investors

Description

The Canadian oil and gas sector has been having a solid couple of weeks. After hitting a low of $34.64 on June 12, the Canadian Crude Index started a massive rally, reaching $42.62 by the 26th. There's no doubt that the bullishness in oil is partially a product of tensions between the U.S. and Iran. However, energy insiders are aiming for West Texas Intermediate (WTI) prices in the range of $65-$70 per barrel, which would suggest the commodity still has a ways to go. For those who are optimistic about oil, the following three stocks give you plenty of exposure to it while letting you collect big dividends along the way.

Inter Pipeline

Inter Pipeline (TSX:IPL) is a diversified energy company that operates pipelines, storage, and LNG processing facilities. The company's pipeline network spans 7,800 kilometres and ships 1.4 million barrels of oil per day. Its LNG processing business can refine 240,000 barrels per day. Finally, its European storage facilities have the capacity to store a whopping 37 million barrels of petrochemicals.

One advantage of Inter Pipeline's business is that it produces and sells LNG for the European market, where it fetches about 2.5 times the price it goes for in Canada. Despite this, the company's shares have been beaten down over the past year, resulting in it yielding an almost unheard of 8.5%.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is Canada's largest pipeline company, the operator of one of the world's most sophisticated energy-transportation networks. The company moves massive amounts of oil across its pipelines; it also has natural gas storage assets.

Enbridge is currently working on a replacement to its Line III infrastructure — an upgrade that will increase the line's transportation capacity to 800,000 barrels a day. The project is encountering some minor regulatory pushback in the U.S. but appears ready to go ahead. Regardless, Enbridge has the capacity to grow its earnings power, even if Line III faces long-term delays; from 2015 to 2018, it grew its net earnings from $250 million to $2.8 billion.

Despite its strong earnings growth, Enbridge stock has been seriously beaten down over the past five years. As a result, its stock now yields 6.45%.

Husky Energy

Husky Energy (TSX:HSE) is a diversified upstream and downstream oil and gas company. It owns energy assets all over the world; in Canada, it's mainly involved in tar sands extraction in Alberta and offshore oil developments in the Atlantic provinces.

As an oil production company, Husky's profitability is very much dependent on the price of oil. As a result, its stock has fallen 63% in the past five years. On the flip side, if oil continues to strengthen, the company will become more profitable. Additionally, the company has committed to reducing its annual capital expenditures from $3.5 billion a year to $3.1 billion a year, which it has said will lead to increased cash flow. However, less spending means less investment, so the company's growth could take a hit. Regardless, as a pure income play, HSE is a great stock, with a 3.86% yield and a 30% payout ratio.

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Date
2025/08/24
Date Created
2019/06/27
Author
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