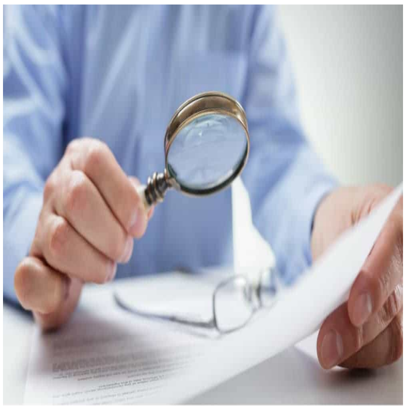

2 High-Yield Dividend Stocks on Sale Now

Description

Investors looking for big income and large capital appreciation potential should look closer at **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) and **Transcontinental** (TSX:TCL.A)(TSX:TCL.B). The bargain stocks offer yields of 4-6% and near-term upside potential of more than 40%!

Canadian Natural Resources

CNQ is another high-yield dividend stock on sale. It's down by about 25% from a one-year high.

As a $38 billion market cap company, it is one of the strongest oil and gas producers in the Canadian oil patch. Indeed, it has a better than investment-grade balance sheet with an S&P credit rating of BBB+. In the first half of the year, it produced more than one billion barrels of oil equivalent per day.

Canadian Natural Resources has solid profitability. That’s why it has increased its dividend by 18 consecutive years with three-, five-, and 10-year dividend-growth rates of 13%, 18%, and 21%, respectively.

In the trailing 12 months, the company generated more than $4.6 billion of free cash flow, and it only paid out 36% of the cash flow as dividends.

Currently, CNQ stock is good for a yield of 4.6%. At $32 and change per share, it trades at about 10.5 times earnings and 3.9 times cash flow. Analysts have an average price target of $46.71, which represents a 31% discount or 45% upside potential.

Transcontinental

Transcontinental stock has fallen by about half since last year’s high. It has trouble growing, as it’s transitioning from being Canada’s largest printing company to packaging. Its packaging operations now contribute to more than half of its revenue. It diversified into these operations via acquisitions, and the transitioning process is still ongoing as it looks out for more fitting acquisitions.

In the first nine months of the fiscal year, its revenue increased by 25% to more than $2.2 billion, while adjusted earnings per share declined by 9% to $1.72. It’s paying out about 38% of its earnings as dividends.

Thanks to having strong cash flow generation, the company can reduce its debt levels in a timely manner. In 2018, its net debt to cash flow ratio was 2.7 times. It expects to reduce the ratio to below two times by the end of fiscal 2020.

Notably, Transcontinental is only paying out about 30% of its free cash flow for its dividend. It has paid an increasing dividend for 17 consecutive years. The company’s three-, five-, and 10-year dividend-growth rates are 7%, 7%, and 10%, respectively.

Currently, it’s good for a yield of 5.9%. At under $15 per share, it trades at only six times earnings and 3.5 times cash flow. Analysts have an average price target of $21.44, which represents a 30% discount or 43% upside potential.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:TCL.A (Transcontinental Inc.)

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