



TFSA Investors: 2 High-Yield Energy Stocks for Dividend Income

Description

Energy stocks are among the highest-yielding stocks you'll find anywhere on the TSX. With abundant 5% yields, they have some serious income potential. True, oil has been fairly weak over the past few years. However, not all energy stocks necessarily depend on strong oil to make a profit. Pipelines in particular can earn huge profits off fees whether the commodity they ship is strong or weak. Diversified energy companies, too, can earn money by selling a variety of products at different price points. If you're looking to capture some energy industry income in your TFSA, the following are two high-yield stocks that fit the bill.

Inter Pipeline

Inter Pipeline (TSX:IPL) is a stock that got hit hard in the 2014 oil crash but is starting to find its legs again this year. Up 22% year to date, it has beaten the TSX — while still having an impressive 7% yield.

IPL is a pipeline company with a relatively limited geographic area. With 3,300 kilometres of pipeline, it ships oil sands crude to various hubs in Alberta. Shipping crude is in some ways a better business than extracting it, because it means you can make money regardless of whether the price of oil is strong. This is one key advantage of Inter Pipeline, since oil has been fairly sideways recently. The company's revenue and earnings stability showed in its most recent quarterly report, in which it reported increased revenue, and earnings growth of [nearly 100% year over year](#). The company pays a dividend that yields 7% at current prices; payouts are made monthly instead of quarterly.

Vermilion Energy

Vermilion Energy ([TSX:VET](#))([NYSE:VET](#)) is an oil producer that explores for and extracts oil in North America, Europe, and Australia. The company focuses on light oil and LNG fields and has a 20% interest in the highly productive Corrib field in Ireland. The company's European oil operations sell at a price point approximately 2.5 times greater than its North American ones, which enhances the company's profitability.

Vermilion Energy is well known for its high dividend yield. At present prices, it's about 11.5%; at other times this year, you could have locked in a yield as high as 15%.

In the past, there has been concern about whether VET can keep the high dividend income coming. However, for the past two months, the company has [kept its payout steady](#) at \$0.23 per month, or \$2.76 per year. In fact, the current payout is even up from the \$0.215 it was at last year. This means that investors who buy VET today may even see their income grow into the future.

Over the very long term, VET seems to have the growth needed to back up its dividend increases. Over the past four years, revenue has grown from \$600 million to \$1.5 billion, while net income has grown from \$-217 million to \$270 million. It's been a bumpy ride along the way, but overall, this is a growing company that can pay you for years to come.

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1. Energy Stocks
2. Investing

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