



## Income Investors: 2 Dividend Stocks With Yields of +8% and +60% Upside!

### Description

The Canadian stock market has appreciated 19% year to date. There aren't too many bargains to be found anywhere, except in the oil and gas industry. Among the best bargains in the space are **TORC Oil and Gas** (TSX:TOG) and **Whitecap Resources** ([TSX:WCP](#)), whose stocks are trading at close to half of their book values!

TORC and Whitecap are among the top five companies with the highest netbacks when compared with more than 30 other oil and gas peers, including [Suncor Energy](#) and **Canadian Natural Resources**.

### TORC Oil and Gas

TORC has a balanced light oil asset base with sustainable growth. It earns support from the Canada Pension Plan Investment Board (CPPIB), which has a staggering stake of 29% in the company versus the insider ownership of only 4%.

The CPPIB continues to fully support the company by fully reinvesting TORC's monthly dividend back into the business. Thanks partly to CPPIB's 100% share-dividend participation, TORC pays about 30% less in cash dividends and would have a payout ratio of 79% based on a WTI price of US\$55 per barrel. The price point will also allow TORC to have a decent net debt to cash flow of 1.4 times.

Based on its current book value of \$6.77 per share, TORC has 85% upside potential. Analysts have a more conservative average 12-month price target of \$5.88, which represents 61% near-term upside potential.

At \$3.65 per share, TORC offers a dividend yield of 8.2% that greatly boosts returns.

### Whitecap

Whitecap estimates an average production of about 71,000 barrels of oil equivalent per day this year. Despite planning to decrease its capital spending by about 8% year over year, its production is set to

increase marginally in 2020.

The reduced spending will allow Whitecap to maintain a strong balance sheet with a reasonable debt to EBITDA of 1.7 times. The oil and gas producer also has oil hedges that provide some downside price protection but also upside participation for next year should oil prices head higher.

More importantly, Whitecap estimates its payout ratio to remain at about 81% to support its juicy dividend.

Based on its current book value of \$7.70 per share, Whitecap has 90% upside potential. Analysts have a more conservative average 12-month price target of \$6.55, which represents 61% near-term upside potential.

At \$4.06 per share, Whitecap offers a hefty dividend yield of 8.4% that greatly boosts returns.

## Investor takeaway

Investors who are [looking for income](#) and price appreciation and can stomach the volatility should consider TORC and Whitecap today. They offer yields of more than 8% and upside potential of more than 60%!

Recall that the average Canadian market returns are about 7% per year. So, the dividend returns will already beat the market!

Remember to size your position accordingly.

Stay hungry. Stay Foolish.

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1. TSX:WCP (Whitecap Resources Inc.)

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