TFSA Investor: 2 High-Yield Stocks at Rock-Bottom Prices

Description

TFSA investors who are bargain hunting can look into a pair of high-yield stocks in the energy space that are nearing 52-week lows. While **Birchcliff** (TSX:BIR) and **Peyto** (TSX:PEY) are trading at close to rock-bottom prices, both might be your best value buys today.

You won't shell out more than $5 per share combined to partake of the average 7.125% dividend yield. However, you should be aware of the challenges these companies are facing. But there's a glimmer of hope that once the global economy improves, the values of Birchcliff and Peyto should rise as well.

Climbing up the cliff

Birchcliff lost 14.80% in 2019, dropping to $2.59 on year-end. As of this writing, the stock is trading at $1.80 and is down 30.5% year to date. On the plus side, the shares of this $478.68 million intermediate oil and natural gas company are yielding 6.17%, with a payout ratio of 86.46%.

Management announced recently that 2020 marks the beginning of Birhcliff's five-year plan (2020-2024). The company expects to generate about $370 million in adjusted funds flow this year. Its average annual production should increase by 3-5% over the 2019 average.

Based on the plan, Birchcliff should be producing 96,500 barrels of oil equivalent per day (boe/d) by 2024.Within the five years, the company expects to generate robust economic returns while increasing shareholder value. Analysts are forecasting the price to climb by as much as 233.33% in the next 12 months.

Making up for lost ground

Peyto is had a horrendous 2019 following a 48.87% drop. On a year-to-date basis, PEY is down 20%. But its 8.08% dividend is an attraction to TFSA investors. At 3.04% per share, and assuming the yield remains constant, your $50,000 TFSA balance can double in nine years.

According to Darren Gee, president and CEO of Peyto, the company is starting on the right foot in 2020 due to the 2019 year-end exit production of 82,000 boe/d. Unlike some industry peers that are looking for creative ways to improve cash flows due to lack of capital liquidity, Peyto is taking a more realistic approach.

Peyto is known in the industry as a low-cost operator. The company is reducing capital investment mode while using excess free cash to pay down debt. Also, the plan in 2020 is to utilize more of the cash flow to work drilling wells and build production.

Investors appear angry over the recent decline of Peyto, but analysts are optimistic about the near-term prospects. They estimate the current price of $3.04 to increase by a minimum of 40% ($4.27) to a maximum of 81% ($5.50) in the next 12 months.

Huge earning potentials

Negative sentiments still surrounded Birchcliff and Peyto at the beginning of 2020 due to the forgettable performances last year. The rock-bottom prices and high dividend yields, however, are making TFSA investors drool.

Besides the dividend, Peyto's selling point is its low-cost production method and effective employment of risk-management contracts. Meanwhile, Birchcliff is a premier gas producer with the right critical scale.

If you're willing to risk a few thousand dollars and exercise patience, these two bargain stocks might deliver massive gains to TFSA investors.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:BIR (Birchcliff Energy Ltd.)
2. TSX:PEY (Peyto Exploration & Development Corp)

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Date
2025/08/14
Date Created
2020/02/06
Author
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