TFSA Investors: 3 Stocks Yielding up to 17.5% to Buy for 2020

Description

When markets are trading close to record highs, it is prudent to look at stocks that are undervalued and with a high-dividend yields. These stocks would have generally underperformed the broader indexes in recent times and might be on the cusp of a turnaround.

We'll look at three such stocks that have juicy dividend yields and might make a comeback in 2020.

Ensign Energy Services

Shares of **Ensign Energy Services** (TSX:ESI) have fallen close to 48% in the last 12 months compared to the 22.8% gain of the S&P 500. This pullback has meant the company's forward dividend yield is now an eye-catching 17.5%.

Ensign Energy is a Canada-based company and provides oilfield services in North America and other international markets. It provides contract drilling, rig rental, and related services. Its share price has declined, driven by the overall weakness in Canada's oil industry coupled with concerns over lower drilling spend by oil producers.

Though the company's sales might rise by 38.8% in 2019, it is estimated by analysts to fall 3.8% to $1.54 billion in 2020. The pullback in the last year has meant that Ensign's price-to-sales ratio stands at 0.24, while the price-to-book ratio stands at 0.25.

Analysts tracking Ensign have a 12-month average target price of $4.18, indicating an upside potential of 75.6% from current levels.

Canoe EIT Income Fund

Shares of **Canoe EIT Income Fund** have lost over 5% in market value in the last year. The stock is currently trading at $10.8, which is 6.6% below its 52-week high. Canoe EIT Income Fund is a close-ended investment trust.

It aims to maximize its monthly distribution relative to risk, and the fund's primary goal is to maximize net asset value. Canoe EIT looks to maintain a well-diversified investment portfolio by investing across debt and equity securities.

Canoe invests in growth and value stocks of mid- to large-cap companies. The fund takes a bottom-up value approach to analyze investment opportunities and increase returns. The stock is trading at a price-to-book value of 1.01 and has an attractive forward dividend yield of 11.1%.

ARC Resources

Shares of **ARC Resources** (TSX:ARX) have lost 26.4% in market value in the last year. The stock is currently trading at $6.77, which is 35% below its 52-week high. The elongated bear run for ARC Resources has resulted in a forward dividend yield of 8.7%.

ARC is a crude and natural gas company. It is engaged in the exploration, development, and production of crude oil and natural gas in Canada. Investors have lost over 75% in market value in the last five years due to low natural gas prices.

Natural gas prices bottomed out in 2016, and though it mildly recovered over the next two years, it is again trading close to multi-year lows. These low prices have also impacted profit margins.

ARC's operating profit slumped from $364 million in 2018 to -$80.2 million in 2019. Its total debt stands at $923.8 million, which should not concern investors, as the company's operating profit at the end of the last quarter was $638.8 million, enough to continue dividend payouts.

Analysts covering ARC Resources have a 12-month average target price of $9.93, which is 46.6% above its current trading price.

The verdict

We can see that all three stocks have grossly underperformed the markets in the last few years. In case you think Canada's energy sector might rebound, it is a good time to pile into energy and oil stocks that are currently trading at multi-year lows.

The high dividend yields can be used as a starting point for investors to further analyze the long-term prospects of these companies.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:ARX (ARC Resources Ltd.)
2. TSX:ESI (Ensign Energy Services Inc.)

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1. Business Insider
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