Dividend Investors: 2 TSX Energy Stocks Yielding Up to 27%

Description

Energy stocks have been decimated in the last month. The COVID-19 pandemic coupled with the oil price war between Saudi Arabia and Russia has sent these stocks to multi-year lows. Consumer demand and spending are expected to be subdued in the upcoming months as people will self-quarantine and go out only for buying essential goods.

This will further impact oil prices, which makes several energy companies vulnerable in these turbulent times. Here we look at two companies that have lost significant market value which has driven dividend yields higher, making them attractive buys for income investors.

Inter Pipeline has lost 75% in market value

Shares of **Inter Pipeline** (TSX:IPL) are trading at $6.41 which is 75% below its 52-week high. This Canada-based energy infrastructure company has been one of the hardest hit in the energy space. IPL is engaged in the transportation, processing, and storage of energy products in Western Canada and Europe.

The company's business segments include Oil Sands Transportation, NGL Processing, Bulk Liquid Storage and Conventional Oil Pipelines. IPL generates 82% of sales from Canada, followed by 11.6% from Europe and the rest from the United States. The massive erosion in stock prices have increased IPL's forward yield to a mouth-watering 27% with dividend per share at $1.71.

The company has paid dividends for 11 consecutive years. Past payments, however, do not mean the company will continue these payouts in the future as well. Let's take a look at IPL's balance sheet strength and see if it can sustain the payouts. While analysts expect Inter Pipeline's sales to fall 3.2% in 2020, its earnings might fall by a massive 29.8%.

Analysts expect IPL's earnings to fall at an annual rate of 11.3% in the next five years. Further, its high debt balance of $6.86 billion may concern investors, as a majority of the company's operating cash flow will be allocated for interest payments.

IPL has a cash balance of $32.6 million. With a payout ratio in excess of 100%, Inter Pipeline will likely be forced to cut its dividend payments, potentially triggering another round of sell-offs.

Pembina Pipeline has a dividend yield of 12.3%

Shares of **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) have been pummeled in the last month. The stock is trading at $20.36, which is 62% below its 52-week high, increasing the forward yield to 12.5%.

Pembina is a Canada-based transportation and midstream service provider. It owns an integrated system of pipelines that transport hydrocarbon liquids and natural gas products. The company also owns gas processing facilities as well as oil and natural gas liquids infrastructure and a logistics business.

Its integrated operations allow Pembina to offer a wide spectrum of midstream and marketing services to energy players. Pembina is not an out-an-out energy player, making it one of the safer bets in the downturn.

It generates 66% of sales from marketing and new ventures, while 22.8% come from pipelines and the rest from its facilities segment. Oil prices should move higher as the current prices are unprofitable for most energy players, which will drive a strong rally in Pembina and other peer companies.

Pembina has deferred 50% of its capital expenditures for 2020, which will help the company to continue paying dividends.

While IPL looks like a risky buy currently, Pembina stock is trading at an attractive valuation and can create massive investor wealth.

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