2 TSX Energy Stocks with Dividend Yields of Up to 6.8%

Description

During times of volatility, investors look for a steady stream of income. The easiest way to do that is to research stocks that pay out a high dividend. The energy and power sectors are good segments to hunt for stocks with good yields. Here we look at two such as **TSX** giants that should interest dividend investors.

Canadian Natural Resources has a forward yield of 6.8%

When your revenue drops by 50% from the last year and your report a$310 million loss compared to a profit of $2.8 billion in the previous year and you still beat analyst expectations, the market knows you're a force to be reckoned with.

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) (TSX: CNQ) is a giant in the fossil fuels segment. The company reported an adjusted cash flow of $415 million in Q2 of 2020. It produced 1.16 million barrels of oil equivalent per day, including about 922,000 barrels per day of crude and natural gas liquids, up from 1.02 million boe/d including 770,000 bbl/d in 2019.

The world is slowly transitioning away from fossil fuels to renewable sources of energy but you can bet your last buck that CNQ will find a way to go about its business. As oil prices revert to pre-pandemic levels, CNQ's cash positions will only get stronger and we can expect a return to profitability.

The stock is currently trading at $26.37 and analysts have given it an average price target of $31.27, an upside of over 18%. Combine this with a sweet dividend yield of 6.79%, and the savvy investor could be sitting on a pretty profit in 12 months.

A renewable growth stock

Transalta Renewables (TSX:RNW) is one of the largest renewable power producers in Canada with 2,527 MW of power across North America and Australia. The company has interests in the wind,hydro, natural gas, and solar segments.

Wind energy is a major driver for Transalta, generating 51% of cash flows followed by natural gas, hydro, and solar at 43%, 4%, and 2%, respectively. The company has been an early mover in the renewable energy space

It reported its numbers for the second quarter of 2020 recently. Its EBITDA was $115 million, a $4 million increase to the same period in 2019, no small achievement during the pandemic.

Adjusted funds from operations (AFFO) were $90 million, a $10 million, or 13% increase to the second quarter in 2019. Transalta states that it pays out “80 to 85% of cash available for distribution to the shareholders of the company on an annual basis.” This bodes well for investors in Transalta. The company sports a strong dividend yield of 6.08% which should hold investors in good stead during uncertain times.

The stock is currently trading at $15.78 and is poised to reap benefits in the long term as the world transitions from fossil fuels to renewable sources for its energy requirements. I had written about the stock in April this year when it was trading at $13.86 and recommended a buy at that time. My view is still the same: the company has tremendous growth potential.

Both stocks operate in the power space and if given a choice, I would go with Transalta. It is the stock of the future.

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1. Dividend Stocks
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3. TSX:RNW (TransAlta Renewables)

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