2 Top Stocks Yielding 7% With 30% Upside Potential!

Description

Canadian investors still have a chance to pick up top dividend stocks that offer a shot at huge gains in the next 12-18 months.

Let's take a look at two Canadian stocks that appear oversold today and pay generous dividends while you wait for the rebound.

Power Corporation

Power Corp. (TSX:POW) is somewhat unique in the Canadian market. The firm is a holding company that owns majority positions in a number of Canadian wealth management and insurance businesses.

Some trade on the **TSX Index** and are popular picks in their own right, including **Great-West Lifeco** and **IGM Financial**. These sit under the Power Financial umbrella, which until earlier this year also traded on the Canadian stock market. Power Corp. took Power Financial private in February 2020.

Canadian fintech firm Wealthsimple is also part of the portfolio.

In Europe, Power Corp. is part owner of **Pargesa**, which in turn has its own holdings that include stakes in some of Europe's top global companies.

Power Corp. gives investors exposure to a number of top Canadian financial brands and businesses that serve institutions, large companies, and individuals across the country. Canada Life, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel are some of the well-established subsidiaries.

The rebound in the stock market off the March low bodes well for Power Corp., and investors could see strong numbers in the Q3 2020 report.

At the time of writing, the stock trades near $25.50 per share and offers a 7% dividend yield. Power Corp. traded above $34 earlier this year, so there is decent upside opportunity as the market recovers.

If you are searching for a non-bank financial picks for your portfolio, Power Corp. deserves to be on your radar.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure sector with liquids pipelines, natural gas utilities, and renewable energy assets.

The industry faces ongoing public and government opposition to new major pipeline projects. That is expected to continue. Enbridge abandoned plans for its Northern Gateway development due to these concerns.

However, a market capitalization of roughly $90 billion gives Enbridge the firepower to make acquisitions to fuel growth. Consolidation in the energy infrastructure segment is expected to continue in coming years and Enbridge will likely be active in the market.

In addition, the vast reach of the existing asset base provides numerous opportunities for small tuck-in projects that are easier to complete and can add solid new revenue streams.

Enbridge worked hard in the past couple of years to clean up its corporate structure and improve the balance sheet. The company has the capacity to self-fund its ongoing capital program while maintaining the dividend.

As new assets go into service, distributable cash flow should increase at a pace of roughly 5-7% per year. This would support ongoing dividend hikes in the same range over the medium term. The current payout provides a yield of 7.5%.

Enbridge traded at $57 in February before the pandemic lockdowns hit revenue on the pipeline system. Investors who buy today can pick the stock up for close $43 per share.

The volume drop is due to reduced crude oil throughput moving from producers to refineries that make a variety of fuel products,
while airlines won't require the same volumes of jet fuel for three or four years, gasoline and diesel fuel demand should rebound quickly.

The bottom line

Powe Corp. and Enbridge pay great dividends that should be safe. The stocks appear cheap right now and should trade meaningfully higher in the next few years.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:ENB (Enbridge Inc.)
3. TSX:POW (Power Corporation of Canada)

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Date
2025/08/18
Date Created
2020/08/24
Author
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