2 Stocks Under $5 to Buy in Canada Today

Description

The World Health Organization (WHO) said Omicron is a variant of concern, but it criticized the imposition of blanket travel bans. Some health experts even say that the new COVID variant is milder and less deadly, even if it is more contagious. As such, they urge countries to drop restrictions and let it spread to kill the Delta variant.

Investors remain anxious, despite the assurances. The TSX has gone down below 21,000 and is quite shaky lately. Nevertheless, if you have the appetite to invest but are cautious, you can purchase stocks under $5. **Canacol Energy** (TSX:CNE) and **Diversified Royalty** (TSX:DIV) trade at absurdly low prices but pay mouth-watering dividends.

Turning the corner

Canacol is one of the smaller energy players turning the corner this year. After three quarters in 2021, its total revenues (natural gas, LNG, and crude oil) have reached US$198.59 million, or 9% more than in the same period in 2020. Management also reported a net income of US$8.15 million compared to the $5.66 net loss.

In Q3 2021, net income, total revenues, and cash flow from operating activities increased 237%, 27%, and 14% versus Q3 2020. Moreover, total production and realized contractual sales climbed 19% and 16% year over year.

The $554.96 million natural gas exploration and production company principally operates in Colombia. Management commits to developing and maintaining a robust ESG strategy. Its six-year plan focuses on a cleaner energy future. Besides the promise to deliver natural gas under the highest environmental and operational efficiency standards, it aims to reduce CO_2 emissions further.

Other priorities of Canacol going forward are a year-over-year increase in renewable and low- or no-carbon energy sources and the implementation of a 100% zero-waste model for its operations. This energy stock offers great value for money given the share price ($3.14) and lucrative dividend yield (6.65%).

If market analysts are spot on with their price forecasts for Canacol, the upside potential in 12 months is between 29% and 48%. The energy stock hasn't missed paying dividends in the last eight consecutive quarters.

Recovering royalty partners

Diversified Royalty is attractive to bargain hunters or frugal investors, given the stock price ($2.74) and dividend yield (7.94%). Your $5,000 can purchase 1,825 shares and produce $397 in passive income. This royalty stock also has upside potential. The price could still appreciate by 40% (average) to 73% (maximum) based on analysts' forecasts.

The $338.63 million multi-royalty company owns the trademarks to AIR Miles, Mr. Lube, Mr. Mikes, Sutton, Nurse Next Door, and Oxford Learning Center. Diversified's six royalty partners are well-established, well-managed franchisors in North America.

Its Q3 2021 and year-to-date (nine months ended September 30, 2021) earnings results indicate that royalty streams are returning to normal. The year-over-year growth rates were an identical 20%. According to management, adjusted revenues have increased, as most royalty partners are experiencing positive trends.

Mr. Lube, the largest royalty partner, contributed incremental revenue from 13 additional locations. Sean Morrison, president and CEO of Diversified, said, "We are optimistic that our royalty partners are well positioned to continue their respective recoveries."

Price-conscious income investors

Canacol Energy and Diversified Royalty are excellent dividend plays for investors on a budget. The energy company is turning the corner, while the royalty company expects royalty streams to stabilize soon.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CNE (Canacol Energy Ltd)
2. TSX:DIV (Diversified Royalty Corp.)

PARTNER-FEEDS

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