2 Canadian Energy Stocks That Could Increase Their Dividends Soon

Description

At the start of 2022, when most stocks began selling off, some of the few companies outperforming and gaining value were high-quality Canadian energy stocks.

With so many tailwinds impacting energy prices, it was no surprise to see many of these companies gaining in price, as well as reporting significant increases in profit as energy prices finally began to rally.

One strong wind has been energy prices. From the start of the year up until energy prices peaked in June, WTI oil increased from US$75 to more than US$120. But now, with commodity prices falling due to recession fears, many of these Canadian energy stocks have pulled back from their highs.

The selling is understandable to some degree. However, many Canadian energy stocks have also been oversold. So if you're looking to buy the dip in energy stocks, here are two of the best to buy now that are not only attractive today but could also increase their dividends in the near term.

A top Canadian energy stock offering an impressive dividend yield

First off, one of the best Canadian energy stocks to consider buying today that offers attractive value, an impressive dividend, and tonnes of long-term growth potential is **Freehold Royalties** (TSX:FRU).

Freehold earns royalties from all the energy that's produced on its land by other energy companies. So as prices and production have increased this year, rebounding from the lows of the pandemic, Freehold has benefitted significantly. The oil and gas company has used some of the record funds generated from operations in Q1 2022 of $71.9 million, an increase of 122% over Q1 2021, to pay down $41 million of long-term debt and shore up its balance sheet.

Today it offers investors a dividend yield of just under 7%, and based on its expected free cash flow per share this year, it has a payout ratio of just 52%.

This is attractive because it shows the dividend is safe, and gives Freehold the potential to increase it, yet still allows the company to retain cash that it can use to invest in expanding its portfolio.

Therefore, while Freehold continues to trade at an attractive value below $15 a share, it’s one of the best Canadian energy stocks you can buy, especially if you’re a dividend investor.

A massive Canadian dividend aristocrat with a 6% yield

In addition to Freehold, another high-quality Canadian energy stock that should increase its dividend soon is **Enbridge** (TSX:ENB)(NYSE:ENB), an energy giant with a market cap of roughly $115 billion. Enbridge is a dividend aristocrat that’s increased its dividend payments every year for more than a quarter century.

Because its operations are so crucial to the North American economy, Enbridge is incredibly resilient. Furthermore, Enbridge is always earning tonnes of free cash flow because many of the assets it owns have long life spans and require little maintenance.

For example, in 2022, the company estimates that it will earn distributable cash flow per share between $5.20 and $5.50 a share. Meanwhile, its current annual dividend is just $3.44. Therefore, not only is its dividend safe, but Enbridge should have room to increase its dividend once again this year.

Although the stock is not that cheap, its resiliency shows that it has been protecting investors’ capital well. So if you’re looking for top Canadian energy stocks that offer attractive dividends to buy, Enbridge is undoubtedly one of the best to consider.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:FRU (Freehold Royalties Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. cleona

2. danieldacosta

Category

1. Energy Stocks
2. Investing

Date
2025/08/19
Date Created
2022/07/28
Author
danieldacosta