Income Investors: 2 Dividend-Growth Stocks With Solid 6% Yields

Description

Some investors rely on dividend stocks to supplement their monthly income. Retirees tend to make up the largest part of this group, but people of all ages can benefit from a bit of extra monthly cash.

Here are the reasons why I think **Inter Pipeline Ltd.** (TSX:IPL) and **AltaGas Ltd.** (TSX:ALA) are smart picks in the current environment.

Inter Pipeline

Inter Pipeline transports about 15% of western Canadian conventional oil output and 35% of oil sands production across nearly 7,000 km of pipeline infrastructure.

The stock has been hammered over the past year because investors have abandoned any names connected to the energy sector. In the case of the highly leveraged producers, the exodus is reasonably justified, but the flight out of some of the pipeline stocks has been overdone.

Inter Pipeline's oil sands customers are big companies with deep pockets; they operate assets that are designed to produce oil for decades. With billions already invested in the facilities, these companies are going to keep producing oil at low prices because the expense of shutting down the plants far outweighs the short-term losses in the current market.

Inter's strong Q3 2015 results support the thesis. Funds from operations in the oil sands segment rose to a record $146.1 million in the third quarter, up 77% from Q3 2014.

Inter Pipeline also has a liquids storage business in Europe that is performing very well. Overall utilization rates in Q3 2015 averaged 93% compared to 78% in the same period in 2014. Funds from operations in the division hit a record $29 million, up 46% from Q3 2014.

The company recently raised its monthly dividend to 13 cents per share. The new payout yields about 6.9%.

AltaGas

AltaGas is a unique beast in the energy sector. The company is an energy infrastructure business with a focus on natural gas, power, and regulated utilities.

The gas infrastructure includes six extraction plants, five natural gas transmission systems, three NGL pipelines, and more than 70 gathering and processing facilities.

The bulk of the liquids-rich gas-processing assets are strategically located to tap demand in the Montney Shale play in northeastern British Colombia and northwestern Alberta.

On the power side, AltaGas owns coal and gas power plants as well as wind turbines, biomass, and run-of-river facilities. All of the renewable projects are underpinned by long-term contracts, such as the 60-year agreement with B.C. Hydro for projects under construction in northern British Colombia.

The utilities arm consists of assets that deliver natural gas to end-users in Alberta, British Colombia, Nova Scotia, Michigan, and Alaska.

What does all this mean?

The company is a cash machine. In Q3 2015 AltaGas delivered a 28% increase in normalized funds from operations. On a per-share basis the growth was 19%. Normalized EBITDA came in at $125 million, up from $105 million in Q3 2014.

AltaGas raised its dividend by 12% in 2015. The monthly dividend of $0.165 per share yields about 6.2%.

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1. TSX:ALA (AltaGas Ltd.)

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Date
2025/10/02
Date Created
2016/02/01
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