2 Dividend-Growth Stocks That Still Look Cheap

Description

The recent rally in the Canadian market has wiped out some great deals in many of the country's top divided-growth picks, but investors still have some attractive options to consider.

Here's why **Inter Pipeline Ltd.** (TSX:IPL) and **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) look like strong picks.

Inter Pipeline

Inter Pipeline transports 15% of western Canadian conventional oil and 35% of the country's oil sands production. It also has a natural gas extraction business and a growing liquids storage operation in Europe.

The stock took a nasty hit last year as investors bailed out of any name connected to the energy sector, but the sell-off was overdone, and bargain hunters are moving back into the name.

Inter Pipeline reported record Q4 12015 net income of $138 million and a 32% year-over-year gain in funds from operations.

Two new pipelines went into operation last year, and those assets drove funds from operations in the oil sands segment up by 62% compared with 2014.

Funds from operations in the conventional oil operations hit a record $51.5 million. Throughput in the group was flat compared with the previous year as strength in the Viking oil play offset weakness in other areas.

The natural gas extraction business had a rough go for much of 2015, but the Q4 numbers were in line with the fourth quarter of 2014.

Overseas, the liquids storage division saw utilization rates jump from 84% to 97%. Strong demand combined with the addition of new capacity to drive Q4 funds from operations up by 79%.

So, things are rolling along just fine despite the bloodbath in the broader energy sector.

Inter Pipeline recently raised its monthly dividend by 6% to 13 cents per share. Investors who buy the stock today can still pick up a 5.9% yield.

As the energy sector recovers, Inter Pipeline should continue to move higher.

TransCanada

TransCanada also had a rough 2015 as weak energy prices and President Obama's rejection of the Keystone XL pipeline sent investors fleeing the stock.

The Keystone XL decision was a big deal, but it's not as significant as the media would have investors believe. In fact, the pipeline is just one small part of the bigger picture.

TransCanada has $13 billion in other projects that will be completed and in service by 2018. This is good news for investors because it means cash flow should rise enough to drive dividend growth of 8-10% through 2020. By then, the energy sector should be on the mend.

In the meantime, TransCanada isn't waiting around for an energy recovery to expand its infrastructure. The company just announced plans to buy **Columbia Pipeline Group Inc.** for US$13 billion in a deal that gives TransCanada strategic assets in the Utica and Marcellus shale plays and adds another portfolio of secured projects to the development pipeline.

The stock is still trading well below its 12-month highs, and investors could see a nice boost if the company's Energy East pipeline finally gets the green light.

TransCanada currently offers a dividend yield of 4.4%.

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