

Need Income? Get +6% Yields From These 2 Dividend Stocks

Description

The low interest rate environment has driven more people in search of higher yields to invest in the stock market. Getting income from eligible dividends is more favourably taxed than earning interests in your non-registered account or the income you earn from your job.

Here are two stocks that pay eligible dividends you can consider today.

Altagas Ltd. ([TSX:ALA](#)) is a diversified energy infrastructure business. For its midstream business it processes and transports about two billion cubic feet of natural gas products every day.

It also generates power with clean-energy sources, including gas-fired, wind, biomass, and hydro assets.

Lastly, it delivers natural gas to 560,000 commercial and residential clients in Alberta, British Columbia, Nova Scotia, Michigan, and Alaska.

Altagas earns 42% of its earnings before interest, taxes, depreciation, and amortization (EBITDA) from its contracted-power business segment, 37% from its utilities, and 21% from its midstream business.

Geographically, it earns about 50% of its EBITDA from Canada and 50% from the United States. So, a strong U.S. dollar against the Canadian dollar increases Altagas's profitability.

Altagas posted positive second-quarter results with double-digit growth in earnings and cash flows compared with the same period in 2015. The company even hiked its dividend per share by a little over 6%.

Altagas has hiked its dividend for five consecutive years. At \$32.70 per share, Altagas yields 6.4% with a payout ratio of about 64% based on its forward cash flow.

With a sustainable payout ratio and plans to invest \$2.5-3 billion across its three business segments through 2020, Altagas should be able to continue paying healthy and likely growing dividends going forward.

Alaris Royalty Corp.'s (TSX:AD) shares have fallen about 19% in two trading days. The main problem is that one of its revenue streams hasn't paid distributions since November 2014, and the issue still hasn't been resolved.

The latest negotiations could lead to about \$28 million in an upfront cash payment, which Alaris favours. Due to this issue, Alaris has already recognized an impairment of \$7 million through earnings in the second quarter.

On the other hand, Alaris still earns cash distributions from 15 partners, and these distributions cover Alaris's dividend with an annual payout ratio of about 77%.

At the end of June Alaris's current assets were 4.5 times that of its current liabilities. So, the company's balance sheet remains rock solid.

At about \$24 per share, Alaris trades at a margin of safety of 12.1 times its cash flow. For comparison purposes, it has traded multiple times at 21 times its cash flow in the past few years. It now attractively yields 6.8%.

That said, Alaris's shares are likely to remain weighed down until its revenue stream issue with that partner is resolved or new revenue streams are added to diversify and increase the current revenue stream.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:ALA (AltaGas Ltd.)

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