



Income Investors: 2 Top-Quality Dividend-Growth Stocks With Yields Above 5%

Description

Income investors are always searching for companies with reliable and above-average yield.

Let's take a look at **Inter Pipeline Ltd.** (TSX:IPL) and **Altagas Ltd.** ([TSX:ALA](#)) to see why they are attractive picks.

Inter Pipeline

Inter Pipeline owns natural gas liquids (NGL) extraction plants, oil sands pipelines, conventional oil pipelines, and a European liquids storage business.

The balanced revenue stream has helped Inter Pipeline navigate the oil rout relatively well, and all four segments delivered year-over-year funds-from-operations (FFO) growth in the second quarter.

Management is taking advantage of the weak market to make strategic acquisitions and recently closed its \$1.35 billion purchase of midstream NGL assets from **The Williams Companies**.

The deal was at a significant discount to the cost of building the two plants and related infrastructure, so Inter Pipeline could see strong returns on the investment once market prices recover.

Inter Pipeline pays a monthly dividend of \$0.13 per share. The company raised the distribution last November, and investors should see another hike in the near term as the new assets contribute to cash flow.

The stock provides a yield of 5.6%.

Altagas

Altagas owns energy infrastructure that is evenly split between Canada and the United States with assets in three core segments: power, gas, and utilities.

The company reported strong Q3 2016 results with normalized EBITDA rising 41% compared with the same period last year. Funds from operations came in at \$137 million, or \$0.84 per share, compared to

\$102 million, or \$0.75 per share, in Q3 2015.

Management has a strong track record of driving growth through organic projects and timely acquisitions.

The company's Townsend gas-processing facility began commercial operations in Q3 2016, and an expansion of the site is expected to be online in late 2017. The North Pine NGL project is expected to be up and running in the first half of 2018.

Last year Altagas purchased two gas-fired generation plants that added incremental contracted EBITDA of \$95 million and raised cash flow by 5%.

Altagas recently raised its monthly dividend to \$0.175 per share. That's good for a yield of 6.3%.

Is one a better bet?

Both stocks are strong income picks and deserve to be in any dividend portfolio, so it's a matter of investor preference.

If you want the highest yield and like having utility holdings in the mix with solid exposure to the U.S., I would go with Altagas.

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1. TSX:ALA (AltaGas Ltd.)

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