2 Dividend Stocks Set to Outperform in 2017

Description

December is a time when many investors re-assess portfolio allocations, looking for yield and growth in the year to come. Here are two companies with solid dividend yields to consider adding in 2017.

Altagas Ltd.

Altagas Ltd. (TSX:ALA) is a natural gas, utilities, and power company. A great vertically integrated pick, this company both explores and develops natural gas, selling the end product to the market as well as using natural gas in its power-generation activities. Having a company that is vertically integrated and operating in a few unique but connected industries allows for concentrated earnings growth with diversified exposure to natural gas and energy commodity sectors.

Altagas's earnings are "powered" (excuse the pun) primarily from the company's power-generation activities. Its power segment accounts for the majority of the earnings growth it expects for 2016–growth of approximately 20% year over year.

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Altagas experienced a solid year in terms of EBITDA growth, partially due to the fact that the 2015 acquisition of the San Joaquin facilities provided a full year of operations. Additionally, the company's Townsend facility in northern British Columbia is now operational (phase one) and will increase EBITDA in 2017 progressively as the company works toward increasing production at this facility to full capacity.

The current dividend yield for Altagas sits just above 6% per year with preferred shares yielding slightly more.

TransCanada Corporation

TransCanada Corporation (TSX:TRP)(NYSE:TRP) has very close ties to Altagas, providing natural gas pipelines to transport natural gas from Canadian production sites to refining sites in Illinois, Oklahoma, and Texas. The company has been in the news lately; the recent Trump election win spurred conversation regarding the Keystone XL pipeline which had been vetoed by President Obama.

TransCanada has a current dividend yield of approximately 3.7% and has paid a dividend for 13 consecutive years.

Both TransCanada and Altagas have settled a dispute this past week with the Alberta government over the companies' cancellations of power-purchase arrangements with Alberta-based companies after the NDP government recently announced the introduction of increased carbon levies, which would affect the profitability of these contracts. Both companies cited opt-out clauses in their agreements that permitted the contract cancellations, but they have had to pay into the government's balancing pool to settle the disputes.

The market has responded favourably to the news of the settlement resulting from the cancellations of these contracts; each company's stock price increased following the announcement of the settlement.

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Date
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Date Created
2016/12/20
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