

Canadian Dividend Investors: 2 Top Picks to Start 2017

Description

Canadian dividend investors are searching for top names to add to their portfolios for 2017.

Let's take a look at **Inter Pipeline Ltd.** (TSX:IPL) and **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) to see why they might be attractive picks.

Inter Pipeline

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

The diversified revenue stream has helped Inter Pipeline weather the energy rout quite well, and management is taking advantage of the downturn to build for the future.

How?

The company recently closed its \$1.35 billion purchase midstream assets from **The Williams Companies**. The two NGL extraction plants and related infrastructure were purchased at a significant discount to the cost of building the assets, so Inter Pipeline could see the investment generate solid returns once the market recovers.

The deal also came with plans to construct a \$1.85 billion propane dehydrogenation plant. Inter Pipeline just received a \$200 million royalty credit for the project from the government of Alberta, so things appear to be moving along nicely.

If all goes well, the facility should be completed and generating revenue by 2021.

Additional projects include a \$1.3 billion polypropylene facility and the recent \$527.5 million purchase of a 15% stake in the Cold Lake Pipeline system.

Inter Pipeline pays a monthly dividend of \$0.135 per share. That's good for a yield of 5.5% at the current stock price.

As new assets go into service, investors should see the distribution continue to increase.

TransCanada

TransCanada spent US\$13 billion this year to acquire Columbia Pipeline Group in a move to help boost growth through the downturn in the energy sector as well as position the business for a recovery.

The company now has \$25 billion in near-term projects under development. As these assets are completed and go into service, TransCanada expects to see cash flow grow enough to support annual dividend increases of at least 8% through 2020.

Mega-projects, such as Keystone XL and Energy East, remain in limbo, but that could change in the next couple of years.

Donald Trump has said he would approve TransCanada's Keystone XL Pipeline when he takes office. Here in Canada, the Liberal government appears keen to help Alberta get its oil to the coast, so TransCanada might see some positive movement on Energy East in the near term.

TransCanada's dividend currently yields 3.6%.

Which stock is a better bet?

Both companies offer attractive and safe dividends with strong prospects for growth. At this point, I would probably make Inter Pipeline the first choice based on the higher yield.

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