

Contrarian Investors: An Unloved High-Yield Income Stock for Your TFSA

Description

Canadian investors are searching for top income stocks to tuck away in their Tax-Free Savings Accounts (TFSA).

Let's take a look at **Altagas Ltd.** ([TSX:ALA](#)) to see why it might be an interesting pick right now.

Tough times

Altagas is an energy infrastructure firm with businesses located in Canada and the United States.

The stock traded above \$50 per share in 2014, but fell amid an exodus out of energy-related names to below \$30 early last year. Since then, the shares have more or less traded in a range between \$30 and \$35.

Management has worked hard to right the ship. The company decided to shelve its planned LNG facility in Kitimat, British Columbia, and recently announced a major acquisition that should set the company up for a strong future.

What's the scoop?

Altagas is buying U.S.-based **WGL holdings Inc.** for \$8.4 billion.

Analysts initially had mixed feelings about the deal, and the stock slipped back to \$30 as a result, but the market appears to be coming around, and the shares are recovering.

At the time of writing, Altagas trades for \$31.50 per share.

The deal is expected to close in 2018, and management says the addition of WGL should boost earnings by at least 8% through 2021. As a result of the increase in cash flow, Altagas plans to raise its dividend by 8-10% per year over the next five years.

Dividend growth has been steady despite the tough times in the past few years. In 2010, Altagas offered a monthly payout of \$0.11 per share. Today, investors are getting \$0.175 per share.

At the current stock price, that translates into an annualized yield of 6.7%.

Organic growth

The LNG facility might be on the back-burner, but Altagas is moving ahead with a number of other developments.

The company recently opened North America's largest battery-storage facility in southern California. The site will provide energy from electricity stored in lithium-ion batteries.

Altagas is also doubling the size of its recently completed Townsend facility in British Columbia. The expansion should be finished by the end of this year.

In addition, Altagas has agreements in place to build NGL facilities in the Montney play and recently announced the go-ahead on a new propane export terminal in Prince Rupert.

Should you buy?

At the current price, investors have already pick up an attractive yield and can look forward to steady dividend growth over the medium term.

If you have some room in your TFSA, it might be worthwhile to add Altagas to the portfolio while the stock is still out of favour.

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