

Dividend Investors: Get Paid 6.8% to Own This Forever Asset

Description

While there's no foolproof (note the small *f*) investing methodology guaranteed to make you rich, there are a few strategies that have stood the test of time.

Perhaps my favourite is a game plan that has been advocated by Warren Buffett, among thousands of other brilliant investors.

It goes something like this.

As long as you put in the work before buying a position, and you've picked a great stock, the only thing left to do is hold that stock forever. If it falls to a reasonable valuation at some point — and it will — use the selling pressure to pick up more.

It really is that simple. The hard part is choosing the correct stock to begin with.

Some of the best forever assets come from incredibly boring sources. Investors have gotten rich putting their money to work in some dull stuff. Banks have been a fantastic investment; so have telecoms, utilities, real estate, and food manufacturers.

These haven't been sexy growth industries for decades. Yet they've still made countless investors rich over the years.

Such a situation is currently playing out today. One of Canada's top forever stocks is currently on sale. Will you snatch it up or wait on the sidelines while it helps other investors get rich?

The opportunity

Altagas Ltd. ([TSX:ALA](#)) is one of Canada's largest utilities.

The company's asset base is split into three parts. It has some 570,000 natural gas customers in B.C., Alberta, Ontario, Nova Scotia, Michigan, and Alaska. It owns 1,688 MW of power-generation capacity in both Canada and the United States. It also transports natural gas for various gas producers.

The power division accounts for approximately 40% of earnings with regulated gas distribution contributing 36%. The company's midstream energy assets are responsible for the rest, which is 24% of the bottom line.

Altagas shares have struggled of late. They've fallen some 5% in the last year and more than 8% in 2017 thus far. The reason? It's primarily due to the company's proposed deal to acquire **WGL Holdings Inc.** ([NYSE:WGL](#)), which was announced on January 25. The deal would see Altagas pay \$8.4 billion for the diversified utilities company.

Investors are concerned about the proposed transaction — which isn't slated to close for another year

— because it would see Altagas issue \$2.1 billion worth of new stock and bloat its balance sheet with \$6.6 billion of new debt.

But management doesn't see it that way. They see a transformed Altagas increasing its bottom line by an average of 8-10% per year through 2021, which will be passed on to investors in the form of increased dividends.

Speaking of the dividend...

There aren't many companies out there that can offer the same dividend quality as Altagas.

Let's look at the current yield. Shares pay a 17.5 cent monthly dividend — good enough for a 6.8% yield. There simply aren't many better yields out there.

As every dividend investor can tell you, a great yield means nothing without the earnings to back it up. Altagas delivers on that front too with a payout ratio under 60% of 2017's projected funds from operations.

Finally, the company has been a dividend-growth machine since 2010. Back then, shares paid investors 11 cents per month. The payout has grown by 8% a year since.

The bottom line

Since April 2010, Altagas shares have quietly returned 12.9% per year, including reinvested dividends. It's an impressive showing made even better once we remember this last year hasn't been very impressive.

In today's market, it isn't very often investors stumble across a forever stock trading at a decent valuation. Altagas is such an opportunity. It's the perfect company to buy today and stash in your portfolio for a couple of decades.

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Author

nelsonpsmith

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