2 Quality Dividend Stocks on Sale

Description

Altagas Ltd. (TSX:ALA) and **First Capital Realty Inc.** (TSX:FCR) are quality, defensive dividend stocks. They offer yields of 4-7%, which are above average. Comparatively, the Canadian market (represented by **iShares S&P/TSX 60 Index Fund** (TSX:XIU)) offers a yield of nearly 2.7%.

Altagas

Altagas is a diversified utility which generates half of its earnings before interest, taxes, depreciation, and amortization from Canada and the other half from the United States.

Utilities tend to be stable as they offer essential products and services. Altagas processes and transports natural gas and natural gas liquids, generates power with clean energy, including natural gas and renewable energy, and has five regulated gas-distribution franchises.

Altagas is working on multiple projects. First, it's expanding the Townsend Facility, which currently has the capacity to process 198 million cubic feet per day (Mmcf/d) of natural gas. The 99 Mmcf/d Townsend 2a expansion is expected to come online in October.

Second, it's building the Ridley Island Terminal, which is expected to be Canada's first west coast propane export terminal. The terminal is expected to be operational in early 2019.

Third, it's working on the North Pine Liquids Separation Facility, which will have access by rail to transport up to 10,000 barrels per day of liquids by Q1 2018 to Canada's west coast, including the Ridley Island Terminal.

On top of all these projects, Altagas is making an effort to close the $8.4 billion **WGL** acquisition by mid-2018. If successful, the regulated gas utility will be a great addition to Altagas. Moreover, it'll allow Altagas to increase its dividend per share by 8-10% per year through 2021.

In the meantime, investors can get a yield of about 7% from the common shares. The subscription receipts are even more attractive at a slight discount to the common shares if you believe the WGL will be successful, as the receipts will be converted to common shares when the WGL acquisition completes.

First Capital

First Capital's defensive nature comes from the types of assets it owns and the excellent locations they're in. The company has 160 properties across 25.2 million square feet of gross leasable area.

Many are anchored by grocery stores or pharmacies, which attract stable foot traffic. As of the first quarter, First Capital had 132 grocery stores and 135 pharmacies. The company generates 27% of its rental revenue from them.

On top of that, the company generates 17.9% of its rental revenue from other necessity-based retailers, such as **Canadian Tire** and **Dollarama** as well as 8.7% from banks and credit unions, such as **Toronto-Dominion Bank**.

Geographically, it generates 48% of its rental revenue from Ontario, 23% from Alberta, 18% from Quebec, and 11% from British Columbia.

Investor takeaway

Altagas will likely continue to be depressed until mid-2018 because of the WGL acquisition. Furthermore, most investors would probably rather buy the cheaper receipts; the discount gap has closed from about 3% to about 1% compared to the common shares. That said, with or without WGL, Altagas will be growing incrementally with its projects.

First Capital shares have come down along with other retail real estate stocks. As such, it's a decent entry point to buy some quality shares for a nearly 4.3% yield.

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