



Retirees: 2 Top Stocks for High Income Every Month

Description

Retirees generally like to receive a steady stream of income every month. **Inter Pipeline Ltd.** (TSX:IPL) and **Altagas Ltd.** ([TSX:ALA](#)) offer high income. Further, their dividends are likely to grow over time.

Let's see if these are the businesses for you.

Business overview

Inter Pipeline has a diversified set of energy infrastructure assets.

First, it has 2.3 million barrels per day of contracted capacity for its oil sands transportation which generate nearly half of its earnings before interest, taxes, depreciation, and amortization (EBITDA).

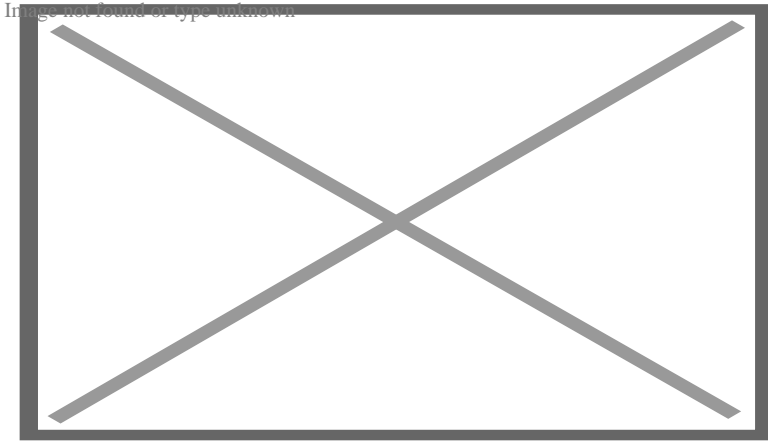
Second, Inter Pipeline has the capacity to produce natural gas liquids of more than 240,000 barrels per day which generate about a quarter of its EBITDA.

Third, it has a network of 3,900 km of conventional oil pipelines which generate about 17% of the company's EBITDA.

Lastly, it has 27 million barrels of liquid storage in Europe which generate roughly 8% of its EBITDA.

Altagas's business is comprised of three segments: power generation, natural gas processing and transportation, and regulated gas distribution utilities.

It has 1,688 megawatts of power generation using natural gas and renewable energy, it deals with two billion cubic feet of natural gas every day, and it serves more than 575,000 customers through its five regulated utilities.



Stable cash flows imply stable dividends

Inter Pipeline's cash flows are largely supported by long-term contracts.

Only a quarter of its cash flows is commodity based. Its Q1 payout ratio was about ~76% after accounting for its capital spending. So, its dividend should be sustainable with room to grow.

More than 85% of Altagas's cash flows are supported by regulated utilities or long-term contracts. And the company aims to pay out 50-60% of its cash flows for its dividends.

High yields and growing dividends

At ~\$24.60 per share, Inter Pipeline offers a yield of 6.6%. The company has increased its dividend for eight consecutive years, and it has the capacity to continue growing it.

At ~\$28.70 per share, Altagas offers a yield of 7.3%. A lot is happening at the company. Altagas has increased its dividend for five consecutive years, and it has maintained the same monthly dividend for 13 months. Management said it will revisit the dividend in Q4 for a potential increase.

Investor takeaway

After Inter Pipeline stock's meaningful pullback of ~17% year to date, it's a decent entry point currently to grab some shares for a 6.6% yield.

Altagas is a transforming company. Its shares are depressed because increased uncertainty looms around the business as it works on the \$8.4 billion pending acquisition of **WGL Holdings**.

In Q2, Altagas received approval from the Federal Energy Regulatory Commission, one of the regulatory bodies, for the acquisition, and it filed regulatory applications with the public utility commissions in several states.

As Altagas is making progress, it has begun to sell non-core assets to raise some funds for the acquisition. Asset sales will reduce its earnings and cash flow generation.

So, some investors may be worried about its dividend sustainability. However, management seems committed to at least maintain its current dividend.

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