



Revealed: 2 Attractive Big-Dividend Stocks That Could Take Off

Description

If you want juicy income and price appreciation too, you should consider the opportunities available in the energy infrastructure space. Energy needs to be transported and delivered safely and efficiently. **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) and **Altagas Ltd.** ([TSX:ALA](#)) are there to do that.

Some investors view the two as utilities instead of energy companies, because they offer needed products and services in transporting and storing the commodities instead of selling the commodities.

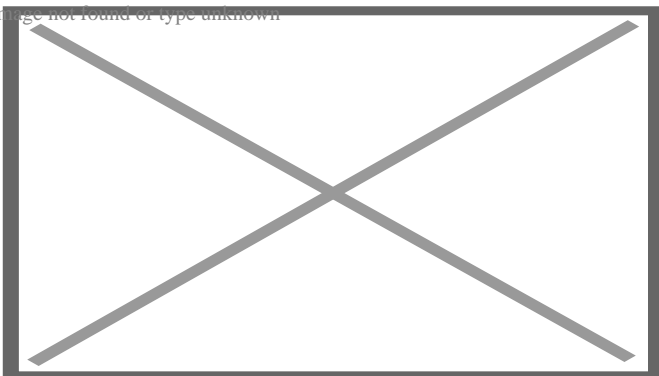
Utilities are often held as stable investments for their growing dividends. Moreover, both Enbridge and Altagas have power-generation assets, which are stable cash-flow generators.

They are dividend opportunities as much as they are total returns opportunities

Income investors should be pleased to know that Enbridge and Altagas stocks are trading at compelling valuations after they have pulled back about ~17% in the last 12 months. So, they now offer big dividend yields.

At ~\$48.60 per share, Enbridge offers a juicy yield of ~5%. At ~\$28.60 per share, Altagas offers a high yield of ~7.3%. In fact, Altagas has announced a dividend hike of nearly 4.3% for its December dividend. So, Altagas's forward yield is actually ~7.6%.

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Enbridge's and Altagas's dividends are sustainable based on the payout ratios of their cash flows.

Enbridge estimates that it can grow its dividend per share (DPS) by 10-12% per year through 2024.

Some of that growth is coming from the investment opportunities that were made possible from the merger with Spectra Energy Corp.

Altagas is working on a transformative acquisition in a quality natural gas utility in the United States. If Altagas acquires **WGL Holdings** successfully by mid-2018, it aims to increase its dividend per share by 8-10% per year through 2021.

The analyst consensus from **Thomson Reuters** believes Enbridge and Altagas have 12-month upside potentials of ~27% and ~14%, respectively, from their current levels, representing near-term total returns of ~32% and ~22%!

Investor takeaway

The stocks of Enbridge and Altagas are more or less depressed due to low commodity prices (even though the companies have little commodity-based exposure in their cash flows). If we see improvement in oil or natural gas prices, these stocks should head higher.

The stocks can also take off as they push out new projects into commercial operation, generate higher cash flow, and increase their dividends over time.

Between the two, Altagas's chart looks more positive, as its stock has been making higher lows and higher highs since the bottom in August. So, interested investors should consider buying Altagas first and consider Enbridge when its share price shows some consolidation or upward price action triggered by strong volume.

That said, I believe both companies will be excellent income and price appreciation investments for at least the next three years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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1. Editor's Choice

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1. NYSE:ENB (Enbridge Inc.)
2. TSX:ALA (AltaGas Ltd.)
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