TFSA Income Investors: Get 5-7% Yields on 2 Oversold Dividend Stocks

Description

Canadian income investors are searching for attractive dividend stocks to add to their TFSA portfolios.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Altagas Ltd.** (TSX:ALA) to see why they might be interesting picks today.

Enbridge

Enbridge just reported Q3 2017 earnings that came in a bit below analyst expectations.

As a result, the stock took a hit, falling to lows not seen in a year. At the time of writing, the share price is down 17% in 2017.

Enbridge said lower natural gas volumes were responsible for the weak quarter, but the company expects Q4 to be better. In addition, management re-affirmed its available cash flow from operations (ACFFO) guidance of $360-3.90 per share for 2017.

In recent quarters, the company made statements to indicate it plans to boost the dividend by 10-12% per year through 2024 based on expected cash flow growth coming from the portfolio of secured near-term developments.

Enbridge has about $31 billion in projects that should be completed and will begin generating revenue in the next few years.

The dividend-growth guidance wasn't reiterated in the Q3 earnings release, which is why investors might have fled the stock. It might just have been an oversight, or the company could be taking another look at the numbers.

Regardless, investors should see strong dividend growth in the coming years, even if it doesn't come in at the top end of the previous range.

Enbridge currently pays a quarterly distribution of $0.61 per share. That's good for an annualized yield of 5.2%.

Altagas

Altagas owns gas, power, and utility assets in Canada and the United States. Some pundits view it as a mini-Enbridge.

The company is growing through organic projects and strategic acquisitions, including the current purchase of Washington D.C.-based **WGL Holdings** for $8.4 billion.

The market is concerned that Altagas might not be able to sell some non-core assets at targeted prices to help pay for the deal, and that has put pressure on the stock in 2017.

Altagas expects the transaction to close in the first half of next year and is providing dividend-growth guidance of at least 8% per year from 2019 to 2021.

The existing businesses are performing well, and Altagas just raised its dividend, so management can't be overly concerned about the cash flow outlook.

The stock currently provides a yield of 7.3%

Should you buy?

Both companies pay above-average dividends that should be safe and have the potential to grow significantly in the coming years.

If you have some cash sitting on the sidelines, it might be worthwhile to start a position in Enbridge and Altagas while the stocks are still out of favour.

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