

2 Dividend-Growth Stocks Yielding 7%

Description

Income investors are searching for high-yield stocks with growing dividends.

Let's take a look at **Altagas Ltd.** ([TSX:ALA](#)) and **TransAlta Renewables Inc.** ([TSX:RNW](#)) to see why they might be interesting picks today.

Altagas

Altagas owns gas, power, and utility businesses in Canada and the United States.

The company has grown over the years through a combination of organic projects and strategic [acquisitions](#), and that trend continues.

Altagas recently finished an expansion at its Townsend gas-processing facilities and is making good progress on its North Pine NGL development and Ridley Island propane export terminal.

On the acquisition front, Altagas is working through its \$8.4 billion purchase of Washington, D.C.-based WGL Holdings.

The deal is supposed to close next year, and Altagas expects the resulting cash flow growth to support annual dividend increases of 8% for 2019-2021.

Investors are somewhat concerned the company might not find buyers for non-core assets it hopes to sell to cover part of the WGL purchase. As a result, the stock is down about 15% in 2017, and that's after a nice rebound in the past three months.

More gains could be on the way.

Altagas recently reported strong earnings from the existing assets and raised the dividend by more than 4%, so management can't be too worried about future cash flow.

At the time of writing, Altagas provides a yield of 7.5%.

TransAlta Renewables

TransAlta Renewables is majority owned by **TransAlta Corp.** and serves as a drop-down subsidiary for the parent company's green-energy assets, which include wind, hydro-electric, and gas-fired power-generation facilities located in Canada and Australia.

TransAlta Renewables completed its South Hedland power development earlier this year and said the facility should boost EBITDA by \$80 million per year.

When the commissioning of South Hedland was announced, TransAlta Renewables bumped up the

dividend by 7%.

The current distribution provides a yield of 7.3%.

Is one more attractive?

Both stocks pay above-average dividends that should be [safe](#).

If you are looking to add just one to your portfolio, I would probably go with Altagas as the first choice. The stock looks oversold, even after the recent rally, and investors should see strong dividend growth continue over the medium term.

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2. Investing

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2. TSX:RNW (TransAlta Renewables)

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