



Income Investors: 3 Dividend-Growth Stocks Yielding 6.6-7.7%

Description

Retirees and other income investors are searching for high-yield stocks to boost the returns they get on their hard-earned savings.

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

IPL

IPL owns conventional oil pipelines, oil sands pipelines, natural gas liquids (NGL) extraction facilities, and a liquids storage business in Europe.

The company has taken advantage of the downturn in the oil sector to add strategic assets at attractive prices and recently approved a \$3.5 billion development.

Oil sands production continues to grow, higher oil prices should bode well for conventional drillers, and the new Heartland Petrochemical Complex should be completed by the end of 2021.

The stock currently pays a monthly distribution of \$0.14 per share. That's good for an annualized yield of 6.6%.

As the new assets are completed and go into operation, cash flow should grow and support additional [dividend increases](#).

TransAlta Renewables

TransAlta Renewables owns wind, hydroelectric, and gas-fired power generation facilities in Canada and Australia.

The company recently completed the construction of the South Hedland power plant in Australia, which is expected to boost EBITDA by \$80 million per year.

Revenue primarily comes from long-term contracts. In fact, the weighted-average contract life is about

12 years and includes revenue streams from 40 facilities. Cash available for distribution continues to increase, and the balance sheet is in good shape at 2.4 times debt/EBITDA.

TransAlta Renewables recently raised the dividend by 7%. Investors who buy today can pick up an annualized yield of 7.2%.

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 development and strategic acquisitions.

Altagas just completed the expansion of its Townsend gas-processing facility and is making good progress on the North Pine NGL project and Ridley Island propane export terminal.

In addition, Altagas is working through its \$8.4 billion purchase of Washington, D.C.-based WGL Holdings.

Management expects the WGL deal to close next year and is targeting dividend growth of at least 8% per year for 2019-2021.

The existing assets are performing well, and the company recently raised the payout by 4%. The stock is under pressure due to some concerns about the WGL purchase, including fears that Altagas might not get the prices it wants for non-core assets it plans to sell to pay for part of the acquisition. As a result, new investors are picking up a yield of 7.7% today.

The bottom line

High-yield stocks generally come with more [risk](#), so investors have to keep the weighting reasonable in their portfolios. That said, these three names provide attractive payouts that are rising and might be worth a shot while they remain out of favour.

CATEGORY

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2. TSX:RNW (TransAlta Renewables)

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Author

aswalker

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