3 Oversold Dividend-Growth Stocks for Your TFSA Income Portfolio

Description

Income investors are finally getting a chance to pick up some high-yield dividend-growth names at attractive prices.

Let's take a look **Inter Pipeline Ltd.** (TSX:IPL), **Altagas Ltd.** (TSX:ALA), and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) to see why they might be interesting buys today.

IPL

IPL took advantage of the oil rout to add strategic assets at attractive prices, including a $1.35 billion deal to acquire two natural gas liquids (NGL) extraction facilities and related infrastructure from **The Williams Companies**.

The purchase was made at a significant discount to the cost of building the plants, so IPL could see nice returns on the investment in the coming years as the market recovers.

In addition, the deal came with plans for a new development, and IPL recently gave the $3.5 billion Heartland Petrochemical Complex the green light. Management says the facility should be completed by the end of 2021 and is expected to generate long-term additional EBITDA of $450-500 million per year.

The company raised the dividend late last year, and investors currently pick up a 7.3% yield.

Altagas

Altagas owns power, gas, and utility businesses in Canada and the United States. Growth has come from a combination of organic developments and strategic acquisitions, and that trend continues.

The company completed two projects in British Columbia near the end of 2017 and is making good progress on its Ridley Island propane export terminal in the province. South of the border, Altagas is also working through its $8.4 billion acquisition of WGL Holdings. The deal should close this year, and management is targeting 8% annual dividend growth through 2021 once the purchase is complete.

The market is concerned Altagas is in over its head with the WGL purchase. Time will tell, but the existing assets are performing well, and Altagas raised the dividend by 4% last fall. At the time of writing, the stock provides a yield of 9%.

CIBC

CIBC is widely viewed as the riskiest of the big Canadian banks due to its heavy exposure to the Canadian residential mortgage market. It's true that rising interest rates could force some homeowners to sell their properties, and a domino effect would put downward pressure on house prices.

That said, most analysts don't expect to see a total meltdown in the Canadian housing market, and CIBC's mortgage portfolio is capable of riding out a rough patch.

The company made a series of acquisitions in the United States in the past year to help diversify the revenue stream, and investors could see the trend continue in the coming years.

With a price-to-earnings ratio of less than 10.5 times trailing earnings, CIBC looks pretty cheap, despite the perceived risks. The company has a strong track record of dividend growth, and the payout should be very safe, even if things get ugly in the Canadian housing market.

At the time of writing, CIBC provides a 4.8% yield.

The bottom line

Buying high-yield stocks when they are out of favour takes some courage, and contrarian picks don't always work out. However, these three names appear to be oversold right now, and while more volatility could be on the way, the distributions look solid, and you are paid well to wait for better days.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/26
Date Created
2018/04/09
Author
aswalker