

Income Investors: 2 Dividend-Growth Stocks With up to 8.75% Yield

Description

Retirees and other income investors are searching for reliable distributions that offer above-average [yields](#).

Let's take a look at two Canadian stocks that raised their payouts in 2017 and could boost the dividend again this year.

AltaGas Ltd. ([TSX:ALA](#))

AltaGas owns power, gas, 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.

In British Columbia, AltaGas completed the expansion of its Townsend gas-processing facility and its North Pine NGL separation facility in late 2017. Both projects came in under budget and should boost revenue and cash flow in the company's gas group in 2018.

Also in the province, AltaGas is making progress on its Ridley Island propane export terminal, which is expected to begin operation in Q1 2019.

On the acquisition front, AltaGas is working through its purchase of **WGL Holdings**. The deal should close in the coming months, and WGL anticipates revenue and cash flow will increase enough to support continued dividend increases for 2019-2021.

The stock is down on investor concerns that the company is biting off more than it can chew with the WGL takeover. Debt will increase, but management feels confident the company can find buyers for up to \$2 billion in non-core assets to cover a bridge loan facility that might be required to close the deal.

At the time of writing, the dividend provides a yield of 8.75%.

Inter Pipeline Ltd. ([TSX:IPL](#))

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

The company reported solid Q1 2018 numbers, with funds from operations rising 3%, compared to Q1 2017. Net income for the quarter hit a record \$143 million, and the dividend payout ratio was 63%.

IPL took advantage of the [oil downturn](#) to add strategic assets at attractive prices, including the 2016 purchase of two NGL extraction facilities. Market conditions have improved in the segment, and the NGL processing group saw funds from operations jump 20% in Q1 2018 compared to the same period last year.

IPL is working on its \$3.5 billion Heartland Petrochemical Complex, which should be in service by the end of 2021. The development is expected to generate long-term average annual EBITDA of \$450-500 million.

IPL raised its dividend in November and currently provides a monthly payout of \$0.14 per share. Investors who buy today can pick up a yield of 6.9%.

The stock is down amid the broader pullback in the energy infrastructure sector, but the sell-off might be overdone.

The bottom line

Both AltaGas and IPL pay dividends that should be sustainable based on revenue and cash flow from existing businesses. As the new assets come online, investors should see additional dividend growth.

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1. TSX:ALA (AltaGas Ltd.)

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