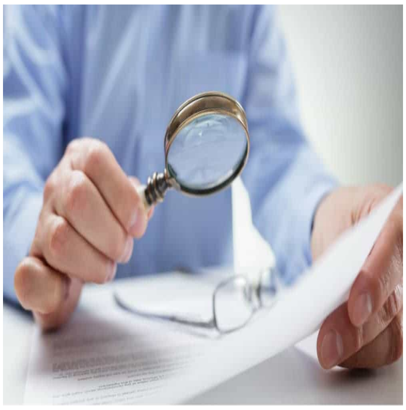

Contrarian Investors: 2 Overlooked High-Yield Canadian Dividend Stocks

Description

Once in a while, investors get a chance to pick up unloved stocks and receive a nice dividend payout while they wait for better days.

Let's take a look at **Inter Pipeline Ltd.** (TSX:IPL) and **AltaGas Ltd.** (TSX:ALA) to see if they deserve to be on your contrarian buy list.

IPL

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

The company reported record Q1 2018 net income of $143 million, supported by a strong performance from the NGL processing business, which saw funds from operations surge 20%.

The division is benefiting from its $1.35 billion acquisition of two NGL extraction facilities during the oil rout. The deal was done with **Williams Companies** at a large discount to the cost of building the sites.

IPL is currently pushing ahead with its $3.5 billion Heartland Petrochemical Complex. The project is scheduled for completion by the end of 2021 and is expected to generate more than $450 million in annual EBITDA.

IPL raised its dividend late last year, and the Q1 2018 payout ratio was 63%, so the distribution should be safe.

The stock is down with the broader pullback in the energy infrastructure sector, giving investors a chance to buy at a reasonable price and pick up a 7% yield.

AltaGas

AltaGas owns gas, power, and utility businesses in Canada and the United States. The company has grown over the years through organic developments and strategic acquisitions, and that trend continues.

AltaGas completed its Townsend 2A and North Pines projects in British Columbia late last year and is making good progress on the Ridley Island Propane Export Terminal in the province. Permitting is also in place to expand the Townsend operations.

South of the border, AltaGas is working through its $8.3 billion purchase of WGL holdings. The deal is partly responsible for the stock’s weak performance over the past year, as the market is concerned AltaGas might not be able to sell non-core assets for enough money to help cover the cost of the acquisition.

Management appears confident the deal will work out as planned, and the added revenue and cash flow from WGL plus additional capital projects should provide support for continued dividend growth in the coming years.

The existing assets are performing well, and AltaGas raised the dividend by 4% last fall. The stock has recovered some of the losses, but still trades at a depressed level. At the time of writing, investors can pick up an 8.7% yield.

The bottom line

The existing dividends at IPL and AltaGas should be safe, and investors have some nice potential upside opportunity when market sentiment improves on the two companies.

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