



Contrarian Income Investors: 3 Attractive Canadian Dividend Stocks Yielding 5-8%

Description

Dividend stocks in the utility and energy infrastructure sectors have taken a hit in recent months, and that is providing income investors with some interesting [opportunities](#).

Let's take a look at three stocks that might be oversold right now.

Algonquin Power and Utilities Corp. ([TSX:AQN](#))([NYSE:AQN](#))

Algonquin is based in Canada, but the company gets the majority of its revenue from U.S.-based operations, giving Canadian investors a great way to get exposure to the United States.

Algonquin's focus is on renewable energy power generation and electricity transmission, with assets that include wind, solar, hydroelectric, and gas businesses. Growth comes from strategic acquisitions and organic development projects, and that trend should continue.

Algonquin recently raised the dividend by 10%, so management must be comfortable with the cash flow outlook. At the time of writing, the stock provides a [yield](#) of 5.2%.

Inter Pipeline Ltd. (TSX:IPL)

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

The company took advantage of the downturn in the oil sector to add strategic assets at attractive prices, including the \$1.35 billion purchase of two NGL extraction facilities and related infrastructure from The Williams Companies in 2016. These assets, along with a recovery in market prices, helped IPL report a 20% year-over-year jump in Q1 funds from operations (FFO) in the gas-processing operations.

The pipeline assets continue to see strong throughput, and that trend should continue amid the improvements in both WTI and WCS oil prices over the past year. Bulk liquids storage FFO dropped in

Q1 compared to the same period last year, but utilization rates remain high.

Overall, IPL reported record net income of \$143 million in the first quarter.

On the growth side, IPL is moving ahead with its \$3.5 billion Heartland Petrochemical Complex. The company expects to complete the site by the end of 2021 and is anticipating long-term average annual EBITDA of \$450-500 million from the assets. This should support continued dividend growth in the coming years.

IPL's Q1 payout ratio was 63%, so the existing distribution should be safe. Investors who buy the stock today can pick up a 6.9% yield.

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

AltaGas owns power, gas, and utility businesses in Canada and the United States. The company wrapped up its Townsend 2A and North Pine projects in British Columbia late last year and is making good progress on its Ridley Island propane export terminal in the province.

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

The stock sold off on concerns AltaGas might struggle to find buyers for non-core assets to fund the acquisition, but investors are starting to feel better about the deal. AltaGas just announced an agreement to sell a 35% stake in its B.C. Hydro assets for \$922 million and said it expects to have deals in place for its targeted \$2 billion in asset monetization by the end of the third quarter.

The stock provides a yield of 8.3%.

Is one more attractive?

Algonquin Power, IPL, and AltaGas all appear somewhat oversold today. That said, AltaGas provides the highest yield right now, and investors could see the stock rally on news of additional assets sales and the successful closing of the WGL deal. If you only buy one, I would probably make AltaGas the first pick.

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1. Dividend Stocks
2. Investing

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