2 Cheap Dividend Stocks to Buy Now

Description

For investors who are aiming to build a portfolio that offers regular dividend income, energy infrastructure companies offer one of the great avenues.

Companies that build pipelines, energy storage facilities, and offer other services to energy producers earn more stable revenues than those operators who directly extract energy products.

In Canada, we have many energy infrastructure players that offer a good diversification and solid income to investors. Here are two relatively cheap dividend stocks to buy after their recent weakness.

Inter Pipeline Ltd.

Inter Pipeline Ltd. (TSX:IPL) is a Calgary-based company that runs a pipeline system spanning over 7,800 kilometres in length and transporting approximately 1.4 million barrels per day. In Europe, Inter Pipeline operates 16 strategically located petroleum and petrochemical storage terminals with a combined storage capacity of approximately 27 million barrels.

Its NGL business is one of the largest in Canada, processing an average of 2.8 bcf/d in 2017 with the capacity to produce over 240,000 b/d of NGL.

During the past five years, its stock has been under pressure, losing 60% of its value from the peak it reached in September 2014. But its recent earnings report and the future growth potential suggest that IPL is a good turnaround stock with a very attractive dividend yield.

In the first-quarter earnings report released in May, IPL posted a record $143 million profit, with a 3% increase in its funds from operations (FFO) led by a 20% jump in its FFO from its NGL processing operations.

The company is building a $3.5-billion Heartland Petrochemical Complex in an industrial area north of Edmonton. The complex will convert propane into polypropylene, a plastic used in the manufacturing of products such as automobile parts, containers, and Canadian bank notes.

For this project, Inter Pipeline will receive up to $200 million in royalty credits from the Province of Alberta in Canada. Once the Heartland Complex is operational in late 2021, Inter Pipeline expects to earn $450-$500 million per year in long-term average annual EBITDA.

Trading at $24.29 at the time of writing, Inter Pipeline stock yields 7.22% with a growing payout. In November, the company hiked its payout by 3.7% to $1.68 per share annually, marking its 15 consecutive dividend increase.

Algonquin Power

Algonquin Power and Utilities Corp. (TSX:AQN)(NYSE:AQN) is a diversified generation, transmission, and distribution utility. Through its two business groups, the company provides rate-regulated natural gas, water, and electricity services to over 700,000 customers in the U.S.

Algonquin also runs a clean-energy unit; it has a portfolio of long-term contracted wind, solar, and hydroelectric generating facilities, managing more than 1,250 MW of installed capacity. It generates about 70% of earnings from regulated utilities and 30% from contracted renewable power.

Unlike IPL stock, Algonquin has been a much better investment during the past five years as its stock soared 76% — a return that also included dividends.

For investors looking to buy a cheap dividend stock with a long-term income potential, this utility offers a good value, with a current yield over 5%. The company's earnings momentum suggests that Algonquin will be able to meet a 10% dividend hike it has planned for each year for the next five years.

Trading at $12.97 a share at the time of writing, AQN stock has lost 10% of its value this year amid surging bond yields, which generally diminish the value of income stocks. But after this weakness, Algonquin offers good value to pick a juicy dividend yield.

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1. Dividend Stocks
2. Energy Stocks
3. Investing

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