2 Soaring Dividend Stocks That Could Go Higher

Description

Once in a while, investors get a chance to pick up stocks with above-average dividends and a shot at some nice upside in the stock price.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **AltaGas Ltd.** (TSX:ALA) to see why they might be interesting picks.

Enbridge

Enbridge fell out of favour with the market over the past three years amid concerns about long-term growth and worries that the company's $37 billion takeover of Spectra Energy put too much pressure on the balance sheet in an era of rising interest rates.

The stock fell from above $60 per share in 2015 to below $40 in April this year, but it has since staged an impressive rally and now trades for close to $47.

The turnaround is in response to positive results on a strategy shift the company announced late last year. Enbridge has decided to focus on its regulated pipeline and gas distribution businesses and has identified $10 billion in non-core assets it plans to monetize.

Management originally expected to unload $3 billion in assets in 2018, but demand is strong for the businesses, and Enbridge has already signed deals for roughly $7.5 billion.

The speed of the sales is providing investors with more confidence to own the stock. Enbridge plans to use proceeds to shore up the balance sheet and fund its near-term development program of $22 billion in commercially secured projects.

Enbridge raised its dividend by 10% for 2018 and has previously indicated it would target annual dividend growth of at least 10% through 2020. The strong start to the monetization program, in combination with the recent approval on the Line 3 pipeline replacement project in Minnesota, could provide the support the company needs to continue the strong dividend growth.

At the time of writing, the stock provides a yield of 5.7%.

AltaGas

AltaGas saw its stock fall from $50 in 2014 to $23 earlier this year. A recovery has the shares back above $28, and more gains could be on the way.

A large takeover is at the centre of this story as well. AltaGas just closed its roughly $9 billion purchase of Washington, D.C.-based WGL Holdings. Investors dumped the stock last year due to fears that AltaGas would not be able to find buyers for assets it planned to sell to cover a US$3 billion bridge loan it secured to make the deal work. Efforts to find buyers for power assets in California didn't pan out, but AltaGas recently sold a 35% stake in hydroelectric project in British Columbia for $922 million.

To close the deal, AltaGas drew US$2.3 billion on the bridge loan. CEO David Harris said additional asset sales should be finalized in the third quarter, and the company plans to offer senior debt and hybrid securities.

The WGL purchase creates a company with an enterprise value of $17 billion and $6 billion in growth projects. The current utility rate base is $4.5 billion. AltaGas expects that to grow to $7 billion by the end of 2021.

If the bridge loan gets paid off quickly, the stock could push back above $30 per share, and investors should see the dividend rise as the rate base grows in the next few years.

The current dividend provides a 7.8% yield.

The bottom line

Investors who'd bought Enbridge and AltaGas at the bottom are already enjoying some nice gains, but new owners of these stocks should also do well. Both companies pay above-average dividends, and the previous highs suggest the recent rebound might be the beginning of a longer-term rally.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/21
Date Created
2018/07/10
Author
aswalker