

2 Stocks to Buy With Dividends Yielding More Than 6%

Description

Investors who are chasing higher dividend yields don't have too many choices that are safe. In majority of cases, a higher yield is a sign of danger.

Companies that face cash flow issues or are struggling to meet their debt obligations are usually the ones that offer attractive yields. But that's not true for all high-yielding stocks. Sometimes a company's stock price is depressed due to temporary setbacks or investors' general apathy towards a sector.

AltaGas Ltd. ([TSX:ALA](#)) and **Inter Pipeline Ltd.** (TSX:IPL) are two such stocks which deserve your attention if you're looking to pick a stock to earn hefty dividend income.

AltaGas

[AltaGas](#) is a Calgary-based power and gas utility which has been a victim of wild speculations regarding its \$8.4 billion merger deal with U.S.-based WGL Holdings, Inc.

The company's stock remained depressed for the past 12 months on concerns that the utility wouldn't be able to fund this transaction and that it would struggle to get the regulatory approvals from the U.S. authorities.

But AltaGas was able to cross those hurdles this month when it got a settlement with all the opposing parties, paving the way for closing its WGL deal on July 6. The merger created a company with approximately \$6 billion in growth opportunities. The combined entity will now have 80% of 2019 EBITDA expected to come from its regulated gas distribution utilities.

That positive outcome was enough to calm jittery investors, triggering a powerful rally in AltaGas stock, which surged 24% from its lowest point in March. Trading at \$28.26, and with an annual dividend yield of 7.9%, AltaGas is still attractive, even after the recent gains.

The company pays \$2.19 a share yearly dividend, which has grown about 50% during the past five years. Going forward, the company expects the payout will rise 10% per year once it's able to fully integrates WGL operations.

Inter Pipeline

The Calgary-based IPL is a great growth stock from Canada's energy infrastructure space. The company operates strategically located pipelines, petroleum, and petrochemical storage terminals in Europe and Canada. 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.

Despite this impressive combination of energy assets, trading in IPL stock remains volatile, as rising interest rates and an uncertain outlook in energy markets keep investors on the sideline. Trading at \$24.46 a share at the time of writing, I find IPL stock quite attractive with a compelling valuation.

The company is in an aggressive growth mode, as it's in the middle of completing a \$3.5 billion Heartland Petrochemical Complex in an industrial area north of Edmonton. With a yield of 6.6% and annualized five-year dividend growth of 9%, this stock is a good bet for long-term income investors who are looking to [invest in high-yielding stocks](#).

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