3 High-Yield Stocks With Big Dividend Growth Potential

Description

Once in a while, dividend investors who are looking to build up their TFSA or RRSP portfolios get an opportunity to buy quality companies at reasonable prices.

Let’s take a look at three stocks that might be interesting picks right now.

Keyera (TSX:KEY)

Keyera recently increased its monthly dividend by about 7% from $0.14 to $0.15 per share. Despite the good news, the stock price fell from close to $38 to below $35 during the past month, triggering a recent round of value buying.

Investors with an eye for opportunity have moved in, bringing the stock back to $35.50, and more gains should be on the way. The company is seeing benefits from a balanced growth strategy that involves strategic acquisitions and development projects.

Keyera spent $222 million on deals in the first half of 2018 with ongoing organic projects across the various business segments that should drive cash flow higher in the coming years. The 2018 capital program is about $1 billion.

The new dividend payout provides an annualized yield of 5%.

Algonquin Power and Utilities (TSX:AQN)(NYSE:AQN)

Algonquin Power is a Canadian company, but more than 90% of its revenue is generated by the U.S. assets. The business has grown significantly through takeovers in recent years, snapping up utility assets in the gas distribution and renewable energy sectors. Consolidation in these areas is expected to continue and Algonquin will likely maintain the aggressive trend.

The strategy is working well and investors received a nice 10% boost to the dividend a few months ago. At the time of writing, the distribution offers a 4.9% yield. The stock started the year at $14 per share and slipped down to about $12.25 in May, but has since recovered some ground, trading at close to $13.70.

Gibson Energy (TSX:GEI)

Gibson is going through a transition that will see the company focus more on its oil-focused infrastructure assets. As a result, it is planning to monetize non-core businesses and allocate the funds to support growth initiatives of more than $400 million targeted through the end of next year.

The core of the businesses is the 13 million barrels of storage capacity, which should continue to grow as demand remains strong in western Canada. Gibson's long history at Hardisty puts it ahead of competitors through its coveted land positions, connectivity to inbound and outbound pipelines, and important rail access. As a result, the business should have a wide moat.

The stock trades for $19 per share at the time of writing, well down from the $37 it fetched in 2014. As the oil sector recovers and Gibson makes progress on its transformation, investors should see the share price drift higher. In the meantime, you get a solid 6.9% yield.

The bottom line

Keyera, Algonquin Power, and Gibson Energy are all trading at appealing levels and provide investors with an opportunity to lock in above-average yield, while positioning themselves for a shot at some nice upside gains.

These three should be solid picks, but there are additional off-the-radar stocks to keep an eye on today.

CATEGORY

1. Dividend Stocks
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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:GEI (Gibson Energy Inc.)
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Date
2025/08/15
Date Created
2018/09/14
Author
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