



A High-Yielding Dividend Stock to Buy in August

Description

This summer is proving good for dividend stocks. They have become more appealing to investors since the central banks in North America signaled that the economy is entering a weak patch, and to spur growth, they're ready to cut interest rates.

If you're on a hunt for higher yields, there are still some safe options available that you can consider, especially when the returns on other assets are falling. In this space, you can identify companies whose share prices have weakened due to temporary setbacks. That's usually the time when smart investors take advantage of the attractive valuations and [lock in their juicy dividend yields](#).

Here is an example of a dividend stock that I think could prove a good long-term bet with a higher dividend yield.

Inter Pipeline

Calgary-based **Inter Pipeline** (TSX:IPL) makes many investors confused when they look at its yield, which is touching 8%. Stocks that are generally in this league are the ones that are riskier and facing serious cash flow issues.

But if you take a little deeper look, [IPL isn't as risky a bet](#) as its yields suggests. The firm runs a diversified business in the energy infrastructure space. It operates a large pipeline network and 16 strategically located petroleum and petrochemical storage terminals in Europe. Its NGL business is one of the largest in Canada.

With its diversified operations, IPL is also expanding fast. In Canada, IPL is in the middle of building a \$3.5 billion petrochemical complex near Edmonton to convert propane into polypropylene plastic. In late October, IPL announced a \$354 million deal to buy European storage terminals from Texas-based NuStar Energy.

On the dividend side, the company has been raising its payout annually at a slower rate recently amid lingering pressure on its stock price. That negativity is mostly linked with the troubles that Canada's energy companies are facing these days.

Another reason keeping investors on the sidelines is that there is no near-term growth catalyst. The Heartland Petrochemical Complex, which will convert locally sourced propane into polypropylene plastic used in packaging, textiles, and other products, won't be ready until 2021.

Investors aren't sure how long will it take to improve the company's cash flows and how IPL will handle the liabilities that will come with this massive project.

Bottom line

There's no doubt that IPL stock isn't for conservative investors. The company has shown volatility in its earnings with a lot of debt on its balance sheet. But I think the company has a right mix of assets and a diversified revenue stream. In addition to this, IPL is in a strong growth mode that separates it from other risky dividend payers.

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Date

2025/09/10

Date Created

2019/07/30

Author
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