



## Income Investors: Get a Growing 6% Yield From These Utilities

### Description

It's no coincidence that three of the top five Canadian dividend-growth companies are utilities. The top two dividend-growth stocks are **Fortis Inc.** ([TSX:FTS](#)) and **Canadian Utilities Limited** ([TSX:CU](#)), which have increased their dividends for over four decades. You can get a decent yield of 3.9% and 3.7% from them, respectively.

Fortis aims to increase its dividend by 6% annually on average through 2020, and Canadian Utilities increased its dividend by more than 10% in each of the last three years.

However, if you're looking for an above-average yield, you can consider these utilities: **Brookfield Renewable Energy Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)) and **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)). They both generate stable, growing cash flows from their operations and pay U.S. dollar-denominated distributions, and you can enjoy the boost from the stronger U.S. dollar.

### Brookfield Renewable

Brookfield Renewable owns a portfolio of renewable assets with 81% hydroelectric generation and 17% wind generation. The utility's installed capacity is more than 10,000 megawatts, which is enough to power four million homes.

Brookfield Renewable generates 50% of its cash flows from the U.S., 25% from Canada, 20% from Brazil, and 5% from Europe. About 90% of Brookfield Renewable's cash flows are contracted. On top of that, its target payout ratio is 60-70%. Its distribution is pretty reliable because of its stable cash flows and conservative payout ratio.

Brookfield Renewable has increased its distribution for six consecutive years, and it just hiked its quarterly distribution by 7.2% this month. Going forward, it aims to increase its distribution by 5-9% per year.

Brookfield Renewable's quarterly distribution is US\$0.445 per unit, totaling an annual payout of US\$1.78 per unit. At \$37, it yields about 6.5% based on a foreign exchange of CAD\$1.37 to US\$1.

Even if the foreign exchange pops back to CAD\$1.25 to US\$1, it will still have a yield of 6%.

## Brookfield Infrastructure

Brookfield Infrastructure owns a diversified portfolio of long-life assets. It generates 83% of its cash flows from utility and transport assets in different countries. For example, it operates about 11,100 km of electricity transmission lines in the Americas, 9,900 km of rail tracks in Australia and Brazil, and 33 port terminals in North America, Europe, and the U.K.

About 90% of Brookfield Infrastructure's cash flows are either contracted or regulated. On top of that, its target payout ratio is 60-70%. Its distribution is pretty reliable due to having quality, diversified assets, stable cash flows, and a conservative payout ratio.

Brookfield Infrastructure has increased its distribution for eight consecutive years, and it just hiked its quarterly distribution by 7.5% this month. Going forward, it aims to increase its distribution by 5-9% per year.

Brookfield Infrastructure's quarterly distribution is US\$0.57 per unit, totaling an annual payout of US\$2.28 per unit. At \$49, it yields more than 6.3% based on a foreign exchange of CAD\$1.37 to US\$1. Even if the foreign exchange pops back to CAD\$1.25 to US\$1, it will still have a yield of 5.8%.

## Conclusion

Investors can get an above-average yield of about 6% from these stable utilities. You can also expect long-term total returns of roughly 11-15% based on their yields of 6% and their annual distribution growth targets of 5-9%.

## CATEGORY

1. Dividend Stocks
2. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:CU (Canadian Utilities Limited)
6. TSX:FTS (Fortis Inc.)

## Category

1. Dividend Stocks
2. Investing

## Tags

1. Editor's Choice

### Date

2025/08/24

### Date Created

2016/02/23

### Author

kayng

default watermark

default watermark