

3 Utility Stocks With Yields of 4-5% to Buy Now

Description

Utility stocks are a great way to build wealth over the long term, because electricity is a necessity in everyday life, leading to stable cash flows for the companies and healthy dividend yields for their shareholders. With this in mind, let's take a look at three top utility stocks that you could buy today.

1. Emera Inc.

Emera Inc. ([TSX:EMA](#)) is one of North America's largest generators, transmitters, and distributors of electricity with over \$12 billion in assets. It is also in the process of acquiring **TECO Energy, Inc.** for US\$10.4 billion, and when the deal closes in the middle of this year, Emera will have over \$20 billion in assets and more than 2.4 million customers.

Emera currently pays a quarterly dividend of \$0.475 per share, or \$1.90 per share annually, which gives its stock a yield of about 4% at today's levels.

Investors should also make two important notes.

First, the company has raised its annual dividend payment for nine consecutive years, and its two increases since the start of 2015, including its 18.8% hike in August 2015, has it on pace for 2016 to mark the 10th consecutive year with an increase.

Second, Emera has a dividend-growth target of 8% annually through 2019 and, in its fourth-quarter earnings report in February, it stated that its acquisition of TECO Energy will provide additional support towards reaching this target and positions it to extend it beyond 2019.

2. Innergex Renewable Energy Inc.

Innergex Renewable Energy Inc. ([TSX:INE](#)) is one of North America's largest independent renewable power producers with ownership interests in 28 hydroelectric facilities, six wind farms, and one solar farm, and another four projects under development or construction.

Innergex currently pays a quarterly dividend of \$0.16 per share, or \$0.64 per share annually, which gives its stock a yield of about 4.6% at today's levels.

Investors should also make two important notes.

First, the company has raised its annual dividend payment for two consecutive years, and its 3.2% hike in February has it on pace for 2016 to mark the third consecutive year with an increase.

Second, Innergex expects to generate free cash flow of approximately \$95 million in fiscal 2016, representing an increase of 27.7% from the \$74.4 million it generated in fiscal 2015 and approximately \$105 million in fiscal 2017, representing an increase of 10.5% from fiscal 2016, and I think this very strong growth will allow its streak of annual dividend increases to continue going forward.

3. Northland Power Inc.

Northland Power Inc. ([TSX:NPI](#)) is one of Canada's largest independent renewable power producers with 13 solar farms, eight thermal power facilities, and three wind farms across the country, and it also has one wind farm in Germany.

Northland currently pays a monthly dividend of \$0.09 per share, or \$1.08 per share annually, which gives its stock a yield of about 4.9% at today's levels.

Investors should also make two important notes.

First, the company has maintained its current annual dividend rate since 2009, which has been supported by its consistent free cash flow generation, including \$1.12 per share in fiscal 2014 and \$1.09 per share in fiscal 2015.

Second, Northland has three major projects under development that are expected to be completed by 2017 and grow its net generating capacity by an estimated 51.6% compared with 2015, and I think the increased cash flows that will come from these assets will allow it to announce a dividend hike by the end of 2018.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. TSX:INE (Innergex Renewable Energy Inc.)
3. TSX:NPI (Northland Power Inc.)

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