



## Invest in the Renewable Mega-Trend for Growing Income

### Description

Renewable energy helps address the issue of climate change. In the last 10 years, investments have been made to advance renewable energy technologies, which have improved the efficiency of renewable energy generation and have raised its capacity and usage around the world.

The Ren21 2015 report revealed that by the end of 2014, 22.8% of the world's electricity was generated by renewables, a growth from 19.1% in 2013. Of the 22.8%, hydropower generated the bulk of electricity of 16.6%, wind power generated 3.1%, and others represented less than 2%.

The report stated, "As of early 2015, at least 164 countries had renewable energy targets, and an estimated 145 countries had renewable energy support policies in place." Although there has been increasing government policy support for renewables, "charges or fees on renewable energy have been introduced in an increasing number of countries."

That said, there's no denying there's a global trend to increase the renewable energy capacity. In 2014 alone, global new investments in renewables reached US\$300 billion!

### How can investors benefit from this trend?

**Algonquin Power & Utilities Corp.** ([TSX:AQN](#)) owns or has interests in renewable energy (such as wind, solar, hydroelectric) and natural gas power-generating facilities that have 1,100 megawatts of installed capacity.

On top of these non-regulated electric-generation assets, the utility also has a regulated utility business that provides water, electricity, and natural gas utility services to 560,000 customers via its generation, transmission, and distribution systems in the United States.

At about \$10.80 per share, Algonquin is inexpensive. Its quarterly dividend equates to an annual payout of US38.5 cents per share. Based on an exchange rate of US\$1 to CAD\$1.25, that equates to a yield of almost 4.5%.

Algonquin has increased its dividend for five consecutive years. Since it's only paying out about 48% of

its 2015 cash flows, the utility should be able to continue increasing its dividend. Last year Algonquin hiked its dividend by 10%. According to its usual dividend-hike schedule, it should hike its dividend in May.

Algonquin pays an eligible dividend that's favourably taxed if shares are held in a non-registered, taxable account. However, if you have room in a TFSA or RRSP, you can consider holding shares there for tax-free or tax-deferred treatment.

## Conclusion

Algonquin benefits from a growing need for renewable energy. Its sustainable cash flows allow the utility to offer a growing dividend yield of 4.5%. Algonquin has increased its dividend for five consecutive years, and it's paying out less than 50% of its cash flow. Most importantly, shares are inexpensive at about \$10.80 per share today.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:AQN (Algonquin Power & Utilities Corp.)

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