2 of the Best Wind Energy Stocks Money Can Buy

Description

As a savvy investor, I'm always on the lookout for opportunities to diversify my portfolio and set it up for long-term growth, and the wind energy industry recently caught my eye. You may not know this, but wind energy is one of the fastest-growing sources of new electricity in the world. It grew by 23% in Canada in 2015, and it's growing at an annual rate of 22% in more than 90 countries around the world according to *WindFacts*.

Wind energy is growing so quickly because it's a reliable, clean, and safe form of energy, and because building and operating a wind farm is more cost effective than building and operating a coal, hydroelectric, or nuclear power facility. Wind farms also provide stable long-term cash flows for the companies that own and operate them, allowing them to return a significant amount of capital to their shareholders via dividend payments.

With all of this in mind, let's take a look at two of the best wind energy stocks that you could add to your portfolio today.

1. Boralex Inc.

Boralex Inc. (TSX:BLX) is the largest producer of onshore wind power in France, and it also owns and operates wind farms in Canada, hydroelectric facilities in Canada and the United States, thermal power stations in France and Canada, and solar power facilities in France and Canada. In total, it has 63 power generation facilities, including 41 wind facilities, 16 hydroelectric facilities, four solar facilities, and two thermal facilities.

Boralex pays a quarterly dividend of $0.14 per share, or $0.56 per share annually, which gives its stock a yield of about 3.2% at today's levels.

Investors must also make two notes.

First, Boralex's 7.7% dividend hike in February has it on pace for 2016 to mark the first year in which it has raised its annual dividend payment since it began paying a dividend in 2014.

Second, the company has a medium-term target dividend-payout range of 40-60% of its discretionary cash flows (DCF), and it expects its annual DCF to reach $75 million in 2017, an increase of 56.1% from the $48.05 million it generated in 2015, so I think this projected growth paired with its growing asset base will allow its streak of annual dividend increases to continue for many years to come.

2. TransAlta Renewables Inc.

TransAlta Renewables Inc. (TSX:RNW) is the largest producer of wind power in Canada, and it also owns and operates hydroelectric facilities in Canada, wind farms in the United States, natural gas-fired facilities in Canada and Australia, and a pipeline in Australia. In total, it has 39 power generation facilities, including 18 wind facilities, 13 hydroelectric facilities, and eight natural gas-fired facilities.

TransAlta pays a monthly dividend of $0.07333 per share, or $0.88 per share annually, which gives its stock a yield of about 6.9% at today's levels.

Investors must also make two notes.

First, TransAlta's two dividend hikes since the start of 2015, including its 9% hike in May 2015 and its 4.8% hike in January of this year, have it on pace for 2016 to mark the third consecutive year in which it has raised its annual dividend payment.

Second, the company has a target payout range of 80-85% of its comparable cash available for distribution, so I think its very strong growth, including its 32.1% year-over-year increase to $0.37 per share in the first quarter of 2016, and its growing asset base will allow its streak of annual dividend increases to continue going forward.

CATEGORY

1. Dividend Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. TSX:RNW (TransAlta Renewables)

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