2 Big Dividend Stocks Exposed to Emerging Markets for High Growth

Description

Brazil is one of the largest emerging markets in the world. Although it's having one of the worst recessions in its history and has experienced six straight quarters of contraction, the country's growing working population and middle class should allow for higher GDP growth in coming years.

Here are two solid dividend stocks that will benefit in future growth from their meaningful exposure to Brazil. At the same time, they generate a large portion of their cash flows from stable, developed markets. Most importantly, they offer essential products and services that are needed no matter how the economy is doing.

Brookfield Renewable Partners LP (TSX:BEP.UN)(NYSE:BEP) generates renewable power with a hydroelectric-generation focus. It has a capacity of 10,700 megawatts. Its $28 billion of assets are diversified across 260 power-generating facilities, 15 markets, and seven countries.

Brookfield Renewable has about 65% of generation in North America, 15% in each of the emerging markets of Brazil and Colombia, and 5% in Europe.

The power producer has extensive experience developing hydro and wind projects and completed 20 such projects in the last decade.

It has about 7,000 megawatts of projects in its development pipeline and 160 megawatts are under construction (of which 125 megawatts are in Latin America).

The company generates stable cash flows, which are 90% contracted for the long term and have inflation-linked escalations. The company has increased its distribution per unit at an average rate of 6.5% since 2011.

Brookfield Renewable already offers a compelling yield of 5.8%, but management expects to grow its distribution by 5-9% per year. Moreover, the utility pays U.S. dollar–denominated distributions which tend to translate to a higher growth rate for Canadians.

NorthWest Health Prop Real Est Inv Trust (TSX:NWH.UN) has an international portfolio of healthcare property assets. It has 139 properties and earns about 45% of its net operating income from Canada, 26% from Brazil, 23% from Australasia, and 6% from Germany.

NorthWest earns rent from seven Brazilian hospitals with a total bed count of 1,226. It has an occupancy of 100%, a weighted average lease expiry (WALE) of 22 years, and a weighted average cap rate of 9.3%.

Its general hospital assets hold 54% of the beds, while the rest are in specialty hospitals, including a children's hospital, a maternity hospital, a cardiovascular hospital, and an orthopedic hospital.

The REIT's largest tenant is Rede D'Or, which contributes 18.9% to its gross rents. Rede D'Or is Brazil's leading hospital operator and has an AA rating from Fitch. (Rede D'Or has 4,922 beds, while its closest competitor has 1,500 beds. It also earns 300% more revenue than this competitor.)

Relative to the REIT's normalized adjusted funds from operations, its second-quarter payout ratio was 87%. On top of that, its high occupancy of about 96.5% accompanied by a WALE of roughly 11 years make its 7.5% yield a safe source of current income.

Conclusion

First, Brookfield Renewable and NorthWest are great income investments with sustainable distribution yields of 5.8% and 7.5%, respectively.

Second, they offer essential products and services with stable demands in any economic condition.

Third, other than having a meaningful exposure to emerging markets that can contribute to future growth, they also have large exposure to developed economies that improve the stability of their financial performance.

So, any price dips caused by macro news (and not company-specific issues) should be seen as opportunities to buy shares at a discount for a higher starting yield.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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