



These 2 Dividend-Growth Stars Just Hiked Their Payouts

Description

One of the most successful investment strategies is to buy and hold stocks with track records of dividend growth. This is because a rising dividend is a sign of a very strong business with excellent cash flows and earnings to support increased payouts, and the dividends themselves really add up over time when reinvested.

Inter Pipeline Ltd. (TSX:IPL) and **Pattern Energy Group Inc.** (TSX:PEG)(NASDAQ:PEGI) raised their dividends in the last week and have active streaks of annual increases, so let's take a closer look at each to determine if you should invest in one of them today.

Inter Pipeline Ltd.

Inter Pipeline is one of the largest owners and operators of energy infrastructure in western Canada and Europe. Its portfolio includes pipelines, petroleum and petrochemical storage facilities, and natural gas liquids extraction plants.

On the day of its third-quarter earnings release, November 3, Inter Pipeline announced a 3.8% increase to its monthly dividend to \$0.135 per share, representing \$1.62 per share on an annualized basis, which brings its yield to about 6% at today's levels. The first payment at this increased rate will come on December 15 to shareholders of record at the close of business on November 22.

Annual dividend hikes have become the norm for Inter Pipeline as it has raised its annual dividend payment for eight consecutive years, and the hike it just announced puts it on pace for 2017 to mark the ninth consecutive year with an increase.

I think Inter Pipeline's consistently strong growth of funds from operations attributable to shareholders, including its 6.4% year-over-year increase to \$565.6 million in the first nine months of fiscal 2016, and its acquisition of the Canadian operations of **Williams Companies Inc.** and **Williams Partners LP**, which closed on September 23 and has already been accretive to its funds from operations, will allow its streak of annual dividend increases to continue for the foreseeable future.

Pattern Energy Group Inc.

Pattern is one of the world's largest independent generators of wind power. Its portfolio includes 18 wind power facilities, including one it has agreed to acquire with a total owned interest of 2,644 megawatts in the United States, Canada, and Chile.

In its third-quarter earnings report yesterday, Pattern announced a 2% increase to its quarterly dividend to US\$0.408 per share, representing US\$1.632 per share on an annualized basis, and this brings its stock's yield to about 7.8% at current levels. The first payment at this increased rate will come on January 31 to shareholders of record at the close of business on December 30.

Like Inter Pipeline, Pattern has a track record of dividend-growth, which shows its dedication to maximizing shareholder value. To explain how great of a dividend-growth stock Pattern is, I must provide you with the following three notes.

First, Pattern has now raised its dividend for 11 consecutive quarters. Yes, you read that right, ELEVEN consecutive quarters.

Second, it has raised its annual dividend payment for three consecutive years, and its numerous hikes have it on pace for 2017 to mark the fourth consecutive year with an increase.

Third, Pattern has a dividend-payout target of 80% of its cash available for distribution (CAFD), so I think its very strong CAFD growth, including its 62.3% year-over-year increase to US\$96.73 million in the first nine months of fiscal 2016, and its growing portfolio, including its addition of two facilities and 362 megawatts of capacity so far in 2016, will allow its streak of quarterly and annual dividend increases to continue through 2020 at least.

Is one a better bet than the other?

Inter Pipeline and Pattern Energy have high and safe dividend yields, impressive track records of dividend growth, and the ability to continue growing their dividends going forward, so I think both represent fantastic long-term investment opportunities today. With this being said, I do not prefer one over the other, so if I had to choose just one I'd simply flip a coin.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. Editor's Choice

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