



## Does This Company's 7% Dividend Yield Make it a Good Buy?

### Description

For income investors, high dividend yields and high payouts usually draw attention. Does this energy company's high yield make it a good investment?

**Pattern Energy Group Inc.** (TSX:PEGI)(NASDAQ:PEGI) is an independent power company with 20 renewable energy facilities and a "total owned interest of 2,736 megawatts in the United States, Canada, and Chile."

Pattern Energy has a relatively short dividend history. The company started paying dividends in 2013; it paid a quarterly dividend of US\$0.31 per share with a yield of only 0.97%. Since then, the dividend has skyrocketed. It spent 2014 and 2015 in the 4% yield range, moving to a 6.22% yield in 2016. The current dividend offering is US\$0.42 quarterly for an annual dividend of US\$1.68 per share, giving it a juicy yield of 7%.

If your focus is on dividends and yields, this company looks like a stellar buy.

But how is Pattern Energy doing otherwise? Just last week, Pattern Energy and PSP Investments (The Public Sector Pension Investment Board) completed their joint acquisition of the 179 MW Meikle Wind facility, adding British Columbia's largest wind power facility to their already extensive portfolio. Pattern Energy will hold a 51% stake to PSP's 49%.

In the negative column, for the second quarter 2017, Pattern Energy reported a net loss of \$14.7 million. This was an improvement of 6% compared to Q2 2016, which means operating at a loss is nothing new for the company. Its net profit is in the negative at -5.18%. Besides being in negative territory, it is also below the industry average. This means other companies in its sector are better at turning revenue into profit than Pattern Energy.

On the positive side, revenue growth has averaged 20.65% over the last three years — better than the industry average of 3.29%. This means Pattern Energy is trending in the right direction, but it still needs to be better at turning its revenue into profit. Analysts overall like this stock, because they predict revenue will continue to grow over the next couple of years.

## Bottom line

Pattern Energy is growing revenue, making acquisitions, and rewarding investors with nice dividends. The company's profit-making ability needs to get better, but it seems to be doing well overall. If you like the yield and are willing to bet revenue will keep increasing, consider adding Pattern Energy to your Foolish portfolio.

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