



These 2 Stocks Have Dividend Yields Over 6%: Which Is the Better Buy?

Description

Income investors are always on the lookout for good dividends. Let's take a look at two companies with dividend yields over 6% and see if one is the better buy right now.

Just Energy Group Inc. (TSX:JE)(NYSE:JE)

Just Energy is an energy management solutions provider working in multiple energy areas, including solar, natural gas, electricity, and green energy. It operates in Canada, the United States, and the United Kingdom.

How is the stock doing? Net income has declined year over year by 77.63% to \$0.56 per share. The decline is not an encouraging number. Its net profit sits at 2.63%, far lower than most of its peers. The company doesn't have a reportable P/E ratio, earnings per share, or return on equity number. The company also holds a lot of debt and currently has negative equity.

One bright spot is earnings growth over the last three years, which has averaged 34.14% per year — better than the industry average of 20.65%.

For income investors, this stock has a nice offering. Just Energy currently offers a quarterly dividend of \$0.125 per share for an annual payout rate of \$0.50 per share. This gives it a healthy yield of 6.88%. The dividend has remained at the same rate since 2014, when the stock moved from monthly to quarterly payouts.

Capital Power Corp. ([TSX:CPX](#))

Capital Power is a power-producing company with operations in Canada and the United States. The company develops, buys, and operates power from a variety of sources.

The stock looks healthier than Just Energy. Net income grew year over year by 448.12% to \$1.03 per share. Its net profit margin of 20.63% makes it one of the best in the industry. The stock has a trailing P/E ratio of 10.77 and earnings per share of \$2.30. The return on equity looks a little low at 7.92%, but it is competitive within the industry. Capital Power has a debt-to-net-equity ratio of 1.36 — far better

than that of Just Energy.

Over the past three years, earnings have declined year over year by 24% annually. The downward trend is concerning.

The company has a comparable dividend yield to Just Energy. It offers a quarterly dividend of \$0.39 per share for an annual payout of \$1.56 per share. This gives the stock a dividend yield of 6.73%. The dividend has increased a little each year for the past five years, so the payout is trending in the right direction.

Investor takeaway

Both companies offer similar dividend yields, but only Capital Power has been increasing the dividend each year. The financials of Capital Power also look more sound at the moment. If you are looking for a new dividend stock, Capital Power currently looks like the safer bet.

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