



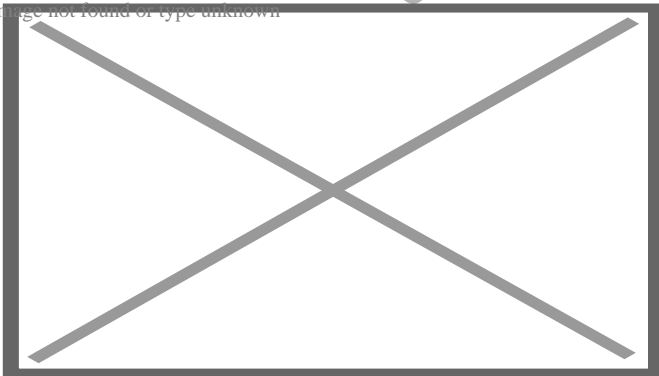
Get +5% Yields From These 2 Dividend Growth Stocks

Description

About a third of total returns from stocks come from dividends. Thus, it makes sense for investors to buy and hold dividend stocks that offer good, sustainable yields.

Algonquin Power & Utilities Corp. ([TSX:AQN](#))([NYSE:AQN](#)) and **Pembina Pipeline Corp.** ([TSX:PPL](#))([NYSE:PBA](#)) are excellent choices for nice yields of +5%. And you can be rest reassured that their dividends are safe because they just increased their dividends and are maintaining sustainable payout ratios.

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Algonquin

Algonquin has 33 regulated utilities in 12 states south of the border. Its utilities, including electric, natural gas, water distribution and wastewater collection utility systems, are diverse and serve ~762,000 customers. Further, the utility has a power portfolio with roughly 1,500 MW of net generating capacity.

Nearly 70% of Algonquin's power portfolio has long-term power purchase agreements with a production-weighted average remaining term of ~15 years. Together with its regulated utilities, Algonquin generates pretty stable cash flow to support its dividend. Its payout ratio is estimated to be about 64% of its free cash flow this year.

Algonquin offers a U.S. dollar-denominated dividend. The [increased dividend](#) is good for an annual payout of US\$0.5128 per share. The higher dividend will be payable on July 13 to the shareholders of record on June 29. At \$12.70 per share, Algonquin has a forward yield of ~5.1%.

The analyst consensus from **Thomson Reuters Corp.** has a 12-month target of \$15.10 per share on Algonquin. So, there's almost 19% upside potential for the stock in the near term.

Pembina

Pembina stock has made a comeback. From a low of ~\$39 per share, the pipeline stock has appreciated +13% in a little over a month. Despite the pop, the stock still looks undervalued. What's more, the company just hiked its monthly dividend by +5.5%.

The increased dividend is good for an annual payout of \$2.28 per share. The higher dividend will be payable on June 15 to the shareholders of record on May 25. At ~\$44.30 per share, Pembina has a yield of ~5.1%. Its payout ratio is estimated to be about 56% of its free cash flow this year.

[Pembina](#) is a fully integrated midstream energy infrastructure company with +18,000 kilometres of pipelines, which have a net capacity of ~3 million barrels of oil equivalent per day, including its conventional, transmission, and oil sands pipelines. These assets contribute to about 60% of its earnings.

The analyst consensus from Reuters has a 12-month target of \$51.90 per share on Pembina. So, there's ~17% upside potential for the stock in the near term.

Investor takeaway

Investors can count on the growing dividends and ~5.1% yields offered by Algonquin and Pembina. Further, both stocks are trading at pretty good valuations based on their cash flow growth for upside potential of ~18%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:PPL (Pembina Pipeline Corporation)

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kayng

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