2 Solid Dividend-Growth Stocks to Buy When They're Cheap

Description

I love investing in companies that grow their dividends regularly. The companies that offer regular dividend hikes run mature and stable businesses. Rewarding investors on a regular basis means these businesses are capable enough to generate enough cash flows in both good and bad times.

Second, a dividend hike provides a good hedge against rising inflation. For long-term investors, it's very important to protect their portfolios from the impact of rising prices, which cut the amount of real returns. Here are two dividend-growth stocks that have been through a rough patch this year and now look cheap.

Brookfield Renewable

If you like dividend-growth stocks, then it's hard to ignore energy infrastructure operators in North America. **Brookfield Renewable Partners LP** (TSX:BEP.UN)(NYSE:BEP) is one that has grown its payout consistently.

The partnership operates one of the world's largest publicly traded renewable power companies, producing 16,000 MW of capacity and managing 820 facilities in North America, South America, Europe, and Asia. Its investment objective is to deliver long-term annualized total returns of 12-15%, including annual dividend hikes of 5-9% from organic cash flow growth.

Brookfield Renewable belongs to a segment of the world economy that is facing explosive growth. That means investors can hold on to this stock to benefit from a shift in the energy mix.

In the first-quarter earnings report released early this month, Brookfield's funds from operations (FFO), a key measure to judge a limited partnership's performance, rose 13% to US$193 million, or $0.62 per unit, compared to the same period last year, helped by an above-average generation, contributions from new investments, and advancement of organic growth initiatives.

Trading at $39.98, BEP stock currently pays quarterly dividend of US$0.49 per share. The company has hiked the payout each year since it started trading in 2011. With an annual dividend yield of 6.34% and an impressive payout history, I think Brookfield Renewable is a great growth stock to buy after its

8% pullback this year.

Emera Inc.

Emera Inc. (TSX:EMA) is another dividend-growth stock which fits nicely in an income-seeking portfolio. The Halifax, Nova Scotia-based utility is growing fast in North America and the Caribbean.

The company makes the majority of its adjusted earnings from rate-regulated businesses. Regulated earnings growth is expected to support the company's 8%-per-year dividend-growth target through 2020.

In its first-quarter earnings report, the company's adjusted profit surged 33% to $202 million, or $0.87 a shares, compared with $152 million, or $0.72 a share, in the same period a year ago.

Trading at $40.57 at the time of writing, Emera's shares are down 14% this year, hurt by the general weakness in utility stocks, as rising interest rates in North America diminish the appeal of energy infrastructure stocks. But with a dividend yield of 5.63%, and with a forward price-to-earnings multiple of 14, Emera stock look a good bargain for long-term investors.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:EMA (Emera Incorporated)

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