3 Energy Stocks That Pay Up to 9.3% in Dividends

Description

For investors seeking stability and dividends, energy stocks can be very attractive investment opportunities. In many cases the stocks provide shareholders with an attractive yield and energy providers also have fairly consistent top lines that are built around a strong base of recurring customers. Unlike stocks that are dependent on commodity prices, energy stocks are much more stable and can offer good, stable returns over the long term.

Below are three energy stocks that have pay great payouts and that would look good in any portfolio.

Fortis Inc. (TSX:FTS)(NYSE:FTS) is perhaps the most well known utility stock on the TSX, and for good reason. The company has grown via acquisition and has doubled its sales in just four years. Fortis also achieved a strong 12% profit margin in its most recent fiscal year. Although its most recent quarter witnessed a decline in sales year-over-year, over the past five reporting periods, sales have dipped below $2 billion only once.

With customers across Canada, the U.S. and the Caribbean, the company has plenty of diversification, which offers investors security. In addition, the stock currently pays a dividend of 4% per year. Payouts have risen by 37% over the past five years, averaging a compounded annual growth rate (CAGR) of 6.5%.

The stock is also a good value buy, as it trades at only 18 times its earnings and around 1.3 times book value, so investors are not paying a premium to own one of the top energy stocks on the TSX. It could also have a lot of upside, as the share is only a few dollars away from its 52-week low.

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN) is a fraction of the size of Fortis, but it has also achieved considerable sales growth over the years. It has been able to double its top line in just five years and in its most recent quarter, sales were up more than 18%. Over the past five quarters, the company has averaged a profit margin of over 8%.

Being a bit smaller in size makes it easier for Algonquin to find avenues to grow, and a focus on renewable energy makes the stock a particularly attractive long-term buy.

Currently, Algonquin pays shareholders a dividend of more than 5.2%, and its payouts have nearly doubled in five years, with a CAGR of over 14%. Dividend payments are in U.S. dollars, so there will be some fluctuation in what Canadian shareholders will earn every quarter.

Pattern Energy Group Inc. (TSX:PEGI)(NASDAQ:PEGI) is another power producer, but its portfolio looks a little different with customers in the U.S, Canada, and Chile, which offers investors a different mix. It has an even smaller market cap than Algonquin does, but it too has achieved good sales growth, as its revenues have also nearly doubled since 2013.

The one challenge facing the company lies in its ability to stay profitable, although it has generated strong free cash flow in recent years.

Pattern Energy also pays dividends in U.S. dollars and its payouts are currently averaging over 9.3%, having grown 35% in five years for a CAGR of over 6%.

CATEGORY

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2. NYSE:FTS (Fortis Inc.)
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