



2 Renewable Energy Utilities to Brighten Up Your Dividend Portfolio

Description

Everybody knows that the world is going to need a lot of power in the future. Populations are growing, and people are going to need energy to recharge their cars, cell phones, and computers going forward. Even powering the creation of our money, such as mining cryptocurrencies, requires obscene amounts of power that has to come from somewhere.

If you are someone who is concerned about where your energy comes from, you may want to invest in some of the fabulous renewable energy companies that Canada has to offer. And besides investing in our renewable future, you can pick up some healthy dividends on the way.

Two companies you may want to consider to augment your dividend portfolio are **Algonquin Power and Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) and **Innergex Renewable Energy Inc.** ([TSX:INE](#)). Both are involved in the renewable energy space and pay decent dividends.

Algonquin Power and Utilities Corp.

Algonquin is focused on expanding its portfolio of renewable energy products around the world. The company is growing organically, such as through the completion of its projects at Amherst Island and Great Bay Solar. It also seeks to expand through acquisitions, including the purchase of an equity interest in Atlantica Yield, which has utility assets throughout the world.

Over the past five years, Algonquin has provided investors with a total return of 145% — not bad for a utility. At its 2018 annual meeting of shareholders, the company announced it had expanded adjusted EBITDA by 85% and adjusted EPS by 30%. Continuing its trend of dividend raises, Algonquin also raised its dividend by 10%. This increase puts the dividend at almost 5% at the current share price.

One important aspect of the company to note, if you are focused on green energy, is the fact that Algonquin provides energy from natural gas. However, keep in mind that natural gas is considered a bridge energy to clean energy, as it is far less polluting than other fossil fuels.

Innergex Renewable Energy Inc.

Innergex is a Canadian-based company focused on the development, acquisition, and operation of renewable energy plants both in Canada and around the world. The company owns and operates geothermal, run-of-river, wind, and solar power plants. Innergex seeks to be a responsible energy producer that respects the environment and the people in whose communities it operates.

While Innergex originated in Canada, it is expanding throughout the world. The company is becoming more diversified with operations in the United States and Europe. Recently, Innergex acquired a 50% ownership interest in Chilean-based Energía Llama.

The company's revenues increased by 58%, and EBITDA increased by 56% in Q1 2018. While it still reported a net loss in earnings for the quarter, the loss appears to be the result of capital investment, as the company closed a number of acquisitions, such as the full acquisition of Alterra Power Corp. on February 6, 2018.

At the current market price, Innergex pays a dividend just shy of 5%. The company states its payout-ratio stability as a percentage of free cash flow. The payout ratio in Q1 was 79% of free cash flow, significantly less than the 95% of free cash flow paid out a year earlier.

Key takeaways

Adding both of these companies to your portfolio provides dividend stability and growth. The biggest risk to these companies is also one of their strengths. Much of the companies' geographic diversification has come from expansion or organic investment. The investment has resulted in significant debt on the balance sheets of both these companies.

That being said, demand for energy, particularly clean energy, is high. Each of these companies should be excellent dividend payers over the long term. Their steady cash flows should keep those dividends safe and growing for years to come.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:INE (Innergex Renewable Energy)

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