



2 Oversold Utility Stocks for Your Retirement Fund

Description

Utility stocks have taken a hit in recent months amid concerns that rising interest rates could trigger a wave of selling, as investors switch to fixed-income alternatives.

The theory has some merit, but the pullback in a number of Canadian names has gotten to the point where the stocks might be getting too cheap to ignore.

Let's take a look at **Innergex Renewable Energy Inc.** ([TSX:INE](#)) and **Emera Inc.** ([TSX:EMA](#)) to see why they might be interesting picks right now.

Innergex

Innergex owns wind, hydroelectric, solar, and geothermal energy facilities in Canada, the United States, Iceland, France, and South America.

The company has made a number of acquisitions in the past year, including the recently closed deal to buy two hydro facilities in Chile. The 140 MW Duquenco project is held through a 50% joint venture with Energia Llaima.

In May, Innergex bought the 33.3% interest it didn't already own in Creek Power Inc., which owns hydroelectric sites in British Columbia.

Earlier this year, Innergex completed its \$1.1 billion acquisition of Altera Power. The deal made Innergex the largest independent renewable energy player in British Columbia.

On the growth side, the company is building a large solar project in Texas at a cost of about US\$400 million. The facility is expected to be in service by the end of 2019 and should generate adjusted EBITDA of US\$20 million per year. A 350 MW wind project is also underway in Texas.

In Iceland, Innergex is making progress on its Bruarvirkjun hydro facility that it acquired through the Altera takeover.

Innergex raised its quarterly dividend from \$0.165 to \$0.17 per share earlier this year. That's good for a [yield](#) of 4.9%.

The stock bottomed out at \$13 in April and currently trades for \$13.90, but it's still down from the 12-month high above \$15.50 per share.

Emera

Halifax-based Emera has \$29 billion in assets in Canada, the United States, and the Caribbean. The operations include natural gas transmission and distribution, and electricity generation, transmission, and distribution.

Adjusted net income for Q1 2018 came in at \$202 million compared to \$152 million in the same period last year. Adjusted earnings per rose to \$0.87 from \$0.72.

Emera raised its quarterly dividend by 8% last fall, citing strong earnings and cash flow growth from the TECO Energy acquisition and the Maritime Link project, which went into service late last year. The current payout provides a yield of 5.3%.

Emera's stock is down from the 12-month high near \$49.50 to \$42.50 per share.

The bottom line

An equal investment in Innergex and Emera would provide an average yield of better than 5%. The revenue and cash flow streams should be reliable, and both companies should continue to grow.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:INE (Innergex Renewable Energy)

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