



Retirees: 2 Solid Income Stocks Yielding 5%

Description

The TSX index is loaded with high-yield stocks these days.

Retirees often use [dividend stocks](#) as a means to boost the returns they get on their savings. GIC rates are starting to recover, but it will be some time before the fixed-income alternatives offer rates above 5%.

Let's take a look at two renewable energy stocks that might be interesting picks for an income portfolio right now.

Northland Power Inc. ([TSX:NPI](#))

Northland is a renewable energy company that develops, builds, owns and operates natural gas, wind, solar, and hydroelectric facilities around the world.

The company was recently awarded 1,044 MW in total contracts for the Hai Long 2 and Hai Long 3 offshore wind developments near Taiwan. The assets received permits in early 2018 and are expected to tie into Taiwan's grid in 2025.

In Europe, Northland's 252 MW German North Sea wind project is progressing on schedule and should be in operation by the end of 2019.

The company reported Q1 2018 net income of \$178 million compared to \$100 million in Q1 2017. Adjusted EBITDA was \$290.4 million, representing a \$92.3 million increase over the same period last year. Free cash flow increased to \$148 million from \$106 million.

The 12-month payout ratio as of March 31 was 53.4%. That leaves ample room for dividend increases, even if cash flow remains steady. The company raised the payout by 11% in December. At the time of writing, investors can pick up a [yield](#) of 5%.

Innergex Renewable Energy Inc. ([TSX:INE](#))

Innergex is another renewable power producer with existing operations in Canada, the United States, France, and Ireland.

First-quarter revenue increased 58% compared to the same period last year. Adjusted EBITDA rose 56%, and free cash flow jumped from \$73.7 million to \$96.2 million. The payout ratio for the quarter came in at 79% compared to 95% in Q1 2017.

The company has 64 facilities in operation, including the 200 MW Flat Top wind farm site that was completed in March. Another 350 MW wind farm is progressing well in Texas and should see commercial operation in Q3 2019.

Earlier this year, Innergex closed its \$1.1 billion acquisition of Alterra Power. The deal added 485 MW of renewable energy assets and made Innergex the biggest independent renewable energy producer in British Columbia and one of the largest in Canada.

Recent developments include a deal to acquire hydro facilities in Chile.

Innergex raised the quarterly dividend from \$0.165 to \$0.17 per share earlier this year. That's good for an annualized yield of 5%.

The bottom line

Both companies have solid development portfolios that should support continued dividend growth. If you only buy one, I would probably make Northland the first pick today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:INE (Innergex Renewable Energy)
2. TSX:NPI (Northland Power Inc.)

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