

2 Top High-Yield Canadian Stocks for Income Investors

Description

A pullback in the stock prices of top-quality Canadian [dividend stocks](#) is giving income investors an opportunity to pick up some attractive yield from companies that continue to increase their payouts.

Let's take a look at two stocks that might be interesting choices for a dividend-focused portfolio.

Emera ([TSX:EMA](#))

Emera owns about \$30 billion in electricity generation, transmission and distribution assets, as well as natural gas distribution businesses located in Canada, the United States, and the Caribbean.

The company reported adjusted Q2 2018 net income of \$111 million, slightly below the \$117 million it earned in the same period last year. That initially sent the stock downward, but investors are starting to see the bigger picture opportunity. For the first six months of 2018, adjusted net income was \$313 million, or \$1.35 per share, compared to \$269 million, or \$1.27 per share in 2017.

Management says US\$1.7 billion in regulated rate base opportunities, including a 600 MW solar facility in Florida, should drive ongoing revenue and cash flow growth.

The company expects EPS growth to outpace dividend growth as it plans to shift more internally generated funds to the capital program. This means investors will see lower dividend growth than previously expected, but the decision should also make the stock more attractive.

Emera just raised the payout by about 4% to an annualized \$2.35 per share. Going forward, the company is targeting increases of 4-5% through 2021. At the time of writing, the stock provides a [yield](#) of 5.8%.

Emera trades at \$40.50 per share, down from a 12-month high of about \$49.50.

Algonquin Power and Utilities Corp. ([TSX:AQN](#))([NYSE:AQN](#))

Algonquin Power is a player in the renewable energy sector with wind, solar, and geothermal assets, in addition to natural gas distribution holdings mostly located in the United States.

The company has a strong track record of making strategic acquisitions and that trend should continue. It is also growing through a large portfolio of organic projects, including solar and wind developments. Algonquin Power currently operates about \$10 billion in assets.

Adjusted net earnings rose 22% in Q2 2018, compared to the same period last year. The company raised the dividend by 10% in May, and more gains should be on the way in coming years as new assets go into service.

The stock has moved up from \$12.25 in April to the current price of \$13.25 per share, but still trades

below the 12-month high of \$14.40 per share. Investors who buy today can pick up a yield of 5%.

The bottom line

Emera and Algonquin Power provide growing dividends that generate above-average yield. The stocks appear reasonably priced and should move higher in the coming years.

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1. Dividend Stocks
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