You Would Not Believe This Growth Company Is Yielding 6.87%!

Description

Usually in investing — and in life, for that matter — you have to give up something in order to get something in return.

Stocks that hold promise for the potential of outsized growth often require investors pay a large premium up front to get a piece of future year's earnings. Those types of stocks don't often pay shareholders much in the way of an annual dividend.

Take, for example, a company like **Shopify** (TSX:SHOP)(NYSE:SHOP), which enjoys a strong leadership position in the rapidly expanding online commerce space.

It's a company that will almost unquestionably be significantly bigger five years from now.

But because it also happens to be a popular stock, and virtually everyone and their brother knows of the potential for it to expand its market over the next decade, investors are being asked to fork over 200 times one year's earnings in return for a single share.

And, at least as of yet, there's no Shopify dividend to speak of.

However, you could take the case of **Enbridge** (TSX:ENB)(NYSE:ENB). It's Canada's largest energy infrastructure and one the country's largest suppliers of natural gas.

ENB shares yield investors 6.70%, which is certainly a very respectable return.

Yet, if you've been following the company over the past year or so, it's also a company where its better years are likely staring it in the rear-view mirror. Well, at least in terms of the pace of dividend increases that shareholders have become accustomed to enjoying for the past decade and more.

It's not often that an investment will offer the enviable combination of current yield along with a tempting long-term growth horizon.

An exception, however, is **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP). BEP shares are yielding 6.96% as of Monday’s closing.

But while the stock’s dividend yield in and of itself would be more than enough to whet most investors’ appetites, it’s also a company that has a very bright future in front of it.

Over $1.5 trillion has been invested in renewable technology over the past five years, as the world undergoes what should be a decades-long transformation from relying on fossil fuels to fueling the planet’s energy needs through renewable sources.

Brookfield’s goal is to target annual returns of 12-15% over the long term by focusing on unique hydro opportunities, investing and building expertise in wind and solar projects, and globalizing its business, while continuing to maintain financial discipline and an investment grade balance sheet.

And the types of projects that BEP invests in allow for plenty visibility as to what the company’s cash flows will look like in a few years’ time.

That predictability has helped to allow the board of directors to increase the company’s dividend payout by a compounded annual growth rate of 8.5% over the past four years. That’s something the company intends to continue, forecasting in its most recent presentation on its website that it expects to grow free cash flows by between 6% and 11% annually going forward.

Bottom line

Despite that the stocks payout ratio appears unsustainable using a naive framework, the current dividend looks well backed by its underlying cash flows.

Should the company continue to allocate capital in a smart, effective manner, this is certainly a stock that would qualify as strong “buy-and-hold-forever” candidate.

Fool on.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:ENB (Enbridge Inc.)
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