2 Clean Energy Stocks Yielding Over 8.5%

Description

Dividend stocks that offer strong growth potential can give investors the best of both worlds. And by looking at what will be in demand in the years and decades to come, you can get a good sense of which stocks will likely have the potential to achieve a lot of growth.

As the world focuses on climate-related issues and greener initiatives, companies that provide clean energy will likely see a lot of sales growth over the years. While they still might be expensive today, over time we'll likely see greater efficiency as they become more popular and more cost-effective options for consumers.

Below are two stocks that could be great long-term options for investors, as they focus on clean energy and currently pay dividends of over 8.5%.

TransAlta Renewables Inc (TSX:RNW) has over 40 facilities spread across North America and Australia, with the bulk of those being wind-powered operations. While the company does have some gas facilities, in total, 34 of its facilities generate renewable sources of energy.

Despite a strong profile with a lot of clean energy, the stock just hasn't received the excitement from investors that you may have expected. Over the past year, its share price has declined around 20% and in three years has shown little increase in value.

A big part of this is undoubtedly a result of the company's soft financials. In 2017, TransAlta Renewables generated a net income of just $9 million, which was up from a $2 million loss the year before that.

The good news, however, is that the company has been generating stronger results lately, with TransAlta Renewables averaging a profit margin of 46% over the past three quarters. If the company can continue building on those impressive results, then it won't be long before the stock starts to rally, as it's a good buy trading near its book value.

TransAlta Renewables currently pay investors a dividend of around 8.6%, with payments being made on a monthly basis.

Pattern Energy Group Inc (TSX:PEGI)(NASDAQ:PEGI) is another good option for investors, as it has 30 facilities in Canada, the U.S., and Japan. Its portfolio is more heavily tilted toward wind power and may lack a little diversification in that respect.

Nonetheless, it's still a good option for investors, as its sales have more than doubled over the past four years. The problem, however, is that the company has struggled to stay out of the red during that time. But similar to TransAlta Renewables, Pattern Energy has made progress recently, generating a profit in three of the past five quarters.

Unfortunately, the stock has also struggled to achieve much growth, as over the past five years it is down around 6%, and in the past 12 months, it has declined around 20% as well.

However, that has helped push its dividend yield up to over 9.5% per year, and it could be a terrific source of income for investors looking to hold for the long term as the company has a history of growing its payouts.

Bottom line

There's a lot of opportunity for these two stocks, but investors shouldn't expect short-term results. These stocks are long-term plays that will require a lot of patience from investors.

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TICKERS GLOBAL

1. TSX:RNW (TransAlta Renewables)

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