



2 Cheap Stocks Yielding Up to 7%

Description

Finding high-yield quality dividend stocks can be a challenge. After all, good dividend stocks are highly sought after, which means they often garner high premiums. However, investors don't always have to break the bank to get their hands on high-quality dividend stocks. Let's consider two cheap high-yield stocks: **Polaris Infrastructure Inc** ([TSX:PIF](#)) and **Algonquin Power & Utilities Corp** ([TSX:AQN](#)) ([NYSE:AQN](#)).

Polaris Infrastructure Inc

Polaris operates several renewable energy facilities in Latin America, a continent whose potential for growth in this sector is remarkable. However, the region is not as economically mature as North America, and various political factors present a risk to companies that operate in the region. Polaris recently [learned this lesson](#) the hard way. The company's main power plant is a 72 megawatts (MW) geothermal project located in Nicaragua, a country that has been rocked with political instability.

Polaris' share price decreased substantially last year on the heels of Nicaragua's tense political climate. Despite these headwinds, though, the Toronto-based energy company was able to post respectable financial results. Polaris' 2018 end of year results revealed an average net energy production increase of 10%, while the company's revenue, net earnings, and earnings per share increased by 15%, 629%, and 700%, respectively.

Further, Polaris currently has various ongoing growth projects. One such project, the Karpa project (located in Peru) is in its development phase. Once completed, the plant is projected to have 20 MW capacity. The company possesses various projects in the U.S., including geothermal projects in California and Nevada.

Polaris currently offers a dividend yield of 7.05%, and while its 81.08% payout ratio seems high, dividend payouts make up a much smaller portion of the company's free cash flow. Polaris' latest dividends declared represented about 37% of its free cash flow, which isn't too bad for a company currently trading at just over \$11 per share at writing.

Algonquin Power & Utilities Corp

Algonquin's operates primarily through two business units: Liberty Utilities Group and Liberty Power Group. Liberty Utilities operates throughout approximately 10 U.S. states, providing electricity, natural gas, and power to over 750,000 homes. Liberty Power is Algonquin's renewable energy branch, which operates throughout North America, with various hydroelectric, wind, solar, and thermal facilities in its portfolio. Though Algonquin's utilities services generates the bulk of its earnings, renewable energy revenues have been increasing at a faster rate recently.

During Algonquin's latest reported quarter — Q4 2018 — Liberty Utilities posted operating profits of \$132.9 million, down from \$144 million compared to the corresponding period of the previous quarter. Liberty Power, on the other hand, increased its profits to \$78.7 million, up from \$55.7 million. Full-year results show a somewhat similar story, with Liberty Power's 57.5% increase in operating profit vastly outpacing Liberty Utilities' 1.2% increase.

It isn't difficult to see why Algonquin's utilities revenues have been relatively subpar. The company is struggling to add new customers. Renewable energy facilities have performed better partly due to higher exposure to the U.S.' recent tax overhaul. Algonquin sees in renewable energy a huge opportunity for growth and is currently undertaking various projects to expand its portfolio in the sector.

Algonquin performed better than most on the market last year, and the company's stock price is up 13% this year. The Ontario-based firm is currently yielding 4.55% and trading at \$15.17 per share at the time of writing.

The bottom line

Both Polaris and Algonquin are interesting prospects for income investors. With growing revenues and numerous undergoing projects within a high-growth sector, both companies are set to keep rewarding investors with dividends for years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:PIF (Polaris Renewable Energy)

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