2 Dividend Kings to Buy and Hold Forever

Description

With the country's and much of the world's focus on putting a stop to the escalating global warming crisis, renewable energy companies are experiencing big booms in their businesses.

Being on the right side of this historic issue, these companies and stocks have benefitted in recent years from unprecedented investor interest, increasing economies of scale and efficiencies, and a strong long-term growth runway.

In the renewable, clean energy sector, two companies stand out, **TransAlta Renewables Inc.** (TSX:RNW) for its high, sustainable dividend yield and quality assets, and **Northland Power Inc.** (TSX:NPI) for its stable portfolio of wind, solar and gas assets that continue to support EBITDA growth of approximately 10%.

TransAlta Renewables Inc.

With its dividend yield of 6.8%, TransAlta Renewables offers investors one of the highest dividend yields in the renewables energy sector.

Since its IPO in 2013, the company has grown its dividends at a 6% compound annual growth rate, and its 80% to 90% payout ratio contributes to TransAlta Renewables' sustainability along with the company's quality assets, many of which are under long-term contracts and partially indexed to inflation.

The company will continue to see growth and support from its strategic relationship with TransAlta Corp. (TA), which owns 61% of TransAlta Renewables, and lends its evaluation, identification and execution expertise to TransAlta Renewables.

As such, the company has good access to growth capital and we may even see more drop-down transactions and third-party acquisitions from TA, which should support dividend growth well into the future.

Northland Power Inc.

With strong insider ownership of approximately 17%, it is clear that management's interests remain well-aligned with shareholders' interests.

Currently yielding 5%, Northland remains a top dividend stock for investors looking to gain exposure to the renewable, clean energy industry.

This independent power producer is dedicated to developing, building, owning and operating facilities in Canada and internationally.

The company is expected to continue to reduce its debt in the next couple of years, thereby lowering the risk profile of the stock and increasing its multiple.

So management remains heavily invested in the company, and this, coupled with the fact that 98% of revenues come from long-term power contracts, means that there is good stability and predictability in this stock.

Signalling its belief in the value that Northland stock provides, management has filed an NCIB (normal course issuer bid) to buy back up to 4.5% of its shares outstanding as it waits for new opportunities to arise.

As of near-term growth, Northland has an offshore wind facility that is under construction, slated to be completed in the second half of 2019. Also, the company is looking to Taiwan, whose government plans to invest heavily in offshore wind fixed-term contracts.

Final thoughts

In summary, these two dividend kings are in the right industry that supports growth in the long-term, and this long-term stable growth will translate into long-term stable dividend income for investors.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:NPI (Northland Power Inc.)
2. TSX:RNW (TransAlta Renewables)

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