Power Your Dividend Portfolios With These 2 Renewable Energy Stocks

Description

Steady dividend-paying stocks with growth prospects ahead of them are great long-term investments. They are an excellent source of tax-advantaged income, have fantastic dividends, and often operate in high-demand sectors. If you are looking for stable income over the long-term, these are companies that you should think about buying.

The top players in the dividend-growing space are frequently utilities. Utility companies are either regulated or have long-term contracts that stabilize their earnings. These long-term agreements make it possible for utility companies to pay and grow dividends over the course of decades with relative frequency.

Renewable energy

At the moment, the biggest growth comes from the renewable energy sector. The entire world is making a push into renewable energy. Large, formerly polluting countries, are now making huge inroads into the technology. China and India, for example, have spent large sums of money in the effort of converting their power systems toward renewables.

In Canada, there are many companies that capitalize on the trend both at home and abroad. Two favourites in the space are **Northland Power Inc.** (TSX:NPI) and **Algonquin Power and Utility Corp.** (TSX:AQN)(NYSE:AQN). Both stocks shot up massively over the past several years, rewarding investors both in capital appreciation and dividends.

Operations

Northland and Algonquin are expanding their operations to capitalize on the trend. Northland diversified widely abroad and now has facilities in North America, Europe, Asia, and South America. This is a truly globalized company that focuses mainly on wind, solar, and thermal power. It has a combination of regulated utilities and contracted operations.

Algonquin is focused on North America, but its operations are spread throughout the region. It has a number of facilities on the continent. Algonquin also has a primary focus on renewables, although it does operate a number of natural gas power stations as well.

Both companies have solid free cash flow which bodes well for future dividends. Northland posted free cash flow of $1.10 per share in Q1 2020 which amounted to an increase of 39% year-over-year. Algonquin's adjusted net earnings were basically flat year-over-year.

Dividends

This is certainly why investors choose to own these companies. They each have strong track records of dividend payments. Northland is focusing more on growth over dividend increases at the moment. The monthly dividend has stayed steady at $0.10 cents a share, which amounts to a dividend of about 3.35% at the moment.

Algonquin continued to grow its dividend with the latest increase occurring in Q1 of 2020. In that report, the company announced that it would increase its dividend by 10%. At the time of this article, the dividend amounted to an annual yield of about 4.53%.

The bottom line

These stocks are dividend all-stars that dividend investors can own today. They are both profitable with strong growth trajectories. Neither company reported marked impacts from the current pandemic. This fact should be a comfort to investors. The diversified operations and strong growth profiles should help power their dividends going forward.

Personally, I tend to lean toward Algonquin due to its dividend growth. I am starting to think that the global diversification, monthly dividend, and strong free cash flow might make Northland Power about as appealing.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NPI (Northland Power Inc.)

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