2 Top Canadian Dividend Stocks That Became More Attractive in May 2021

## Description

**Brookfield Renewable** (TSX:BEP.UN)(NYSE:BEP) and **Northland Power** (TSX:NPI) are considered the cream of the crop among renewable utilities.

On a continued correction, the top Canadian dividend stocks have become more attractive in May 2021. Specifically, Brookfield Renewable stock has declined about 25% from its high earlier this year, while Northland Power stock is down about 18%.



# Brookfield Renewable

Before this correction, Brookfield Renewable stock more than doubled from the start of 2020. So, this correction is healthy with expected subsequent price appreciation from the stock down the road as long as the utility executes.

Execute Brookfield Renewable management has! How can it not do its best? The general partner and manager of Brookfield Renewable, **Brookfield Asset Management**, has a massive stake of roughly 48% in the utility! BEP's annualized returns since inception are approximately 20% on the **NYSE** and 19% on the **TSX**, more than doubling the rate of return of the stock market and its peer group.

The utility has also increased its cash distribution at a compound annual growth rate of 6% since 2012. Such income growth consistency is invaluable to dividend investors who seek passive income.

Brookfield Renewable stock provides a convenient way for investors to gain exposure to one of the world's largest publicly traded renewable power platforms. BEP invests in, develops, and operates renewable assets in North and South America, Europe, and the Asia-Pacific Region. Its portfolio is about 66% hydroelectric generation, followed by wind- and solar-powered generation.

After the correction, BEP provides a decent yield of 3.3%. Management aims to increase its cash distribution by 5-9% per year. So, a BEP investment today has an estimated rate of return of at least 8% without accounting for any valuation expansion.

## Northland Power

Northland Power's portfolio is primarily in wind, which contributes about 58% of its operating capacity. Specifically, offshore wind contributes about 46%, onshore wind contributes 12%, and natural gas contributes 39%.

Northland Power just raised $990 million at $44 per share from an equity offering last month. The correction puts the stock at an 8% discount from the price of this equity offering, which was partly used to fund its acquisition of a 540 MW operating wind and solar portfolio for its entry into the Spanish renewables market.

At $40.36 per share at writing, analysts estimate the dividend stock can appreciate more than 31% over the next 12 months. Northland Power stock also provides a nice yield of close to 3%.

The company's focus on offshore wind is set to continue, as about 70% of its capacity under construction uses that technology. In fact, Northland Power sees an acceleration in offshore wind development in the latter half of the decade through 2030.

Over the next five years, it has identified potential investments of $15-20 billion with its partners ($10-14 billion net Northland's ownership interest). Management estimates an average double-digit rate of return across these projects, which could double the company again by 2030.



Management envisions a more geographically diversified business by then with cash flows of 35-40% from Europe, 30-35% from Asia, 20-25% from the U.S. and Canada and 5-10% from Latin America.

## The Foolish takeaway

As the renewable utility stocks have experienced corrections so far this year, it's a good time for investors to buy shares in Brookfield Renewable and Northland Power that have outperformed in the long run. They also offer nice passive income of about 3%, which is sustainable.

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3. TSX:NPI (Northland Power Inc.)

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