



2 Cheap Dividend Growth Stocks You Can Buy Right Now

Description

The ongoing market volatility has provided investors with several options to buy quality shares at a discount. Further, a lower share price also increases the forward yields of dividend-paying companies, making them attractive for the income investor. Here, we take a look at two cheap [dividend growth stocks](#) Canadians can buy at current prices.

Algonquin Power & Utilities

Down 20% from all-time highs, shares of **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) have returned 344% to investors in dividend-adjusted gains in the last 10 years. AQN stock now offers investors a forward yield of 4.94% and dividend payouts have increased at an annual rate of 6.92% in the last five years.

AQN generates two-thirds of its cash flows from its utility business and the rest from renewable energy. So, the company's cash flows are predictable and backed by long-term contracts making it a top bet in an uncertain macro environment.

In Q3 of 2021, Algonquin's adjusted EBITDA rose by 27% year over year to \$252 million while net earnings stood at \$0.15 per share. A key driver of future cash flows will be Algonquin's recently announced acquisition of Kentucky Power, which is a vertically integrated electric utility company that services 228,000 customer connections in 20 eastern Kentucky counties.

As part of the deal, Algonquin will also acquire AEP Kentucky Transmission, an electric transmission utility. The enterprise value of the acquisition stands at \$2.8 billion, consisting of assumed debt of \$1.2 billion and a cash purchase price of \$1.6 billion. Algonquin claimed the acquisition is attractively valued given an estimated mid-year 2022 rate base of \$2.2 billion.

The transaction will also expand Algonquin's regulatory business mix to 80%, up from 70%. After the deal is completed, AQN expects to end the year with a rate base of \$9 billion.

Analysts tracking AQN stock expect the share price to rise by 21% by end of 2022. After accounting for

its tasty dividend yield, total returns will be closer to 26% in the next year.

Brookfield Renewable Partners

Another company operating in the clean energy segment, **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)), has created massive wealth for long-term investors. Shares have surged close to 450% since January 2012 and the stock still offers you a forward yield of 3.8%.

BEP stock is also down 34% from all-time highs, making it a quality buy at current multiples. Brookfield Renewable Partners has managed to [increase funds from operations](#) to \$1.45 per share in 2020, from \$0.48 per share in 2010. In Q3 of 2021, its funds from operations rose to \$210 million, up from \$157 million in the year-ago period.

Brookfield Renewable [owns and operates](#) a wide range of renewable energy assets. In the last three quarters, hydropower accounted for 44% of total funds from operations, followed by wind energy at 30%.

Analysts tracking the stock expect shares to rise by 30% in the next 12-months. After accounting for its dividends, total returns will be closer to 34%.

The Foolish takeaway

An investment of \$5,000 in each of the two stocks could help you generate \$470 in annual dividends. In case the companies can increase dividends at an annual rate of 5.5%, your annual dividend payments could rise to \$800 within the next 10 years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BEP (Brookfield Renewable Partners L.P.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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