2 Steady Eddie Utilities for Safe, Growing Income

Description

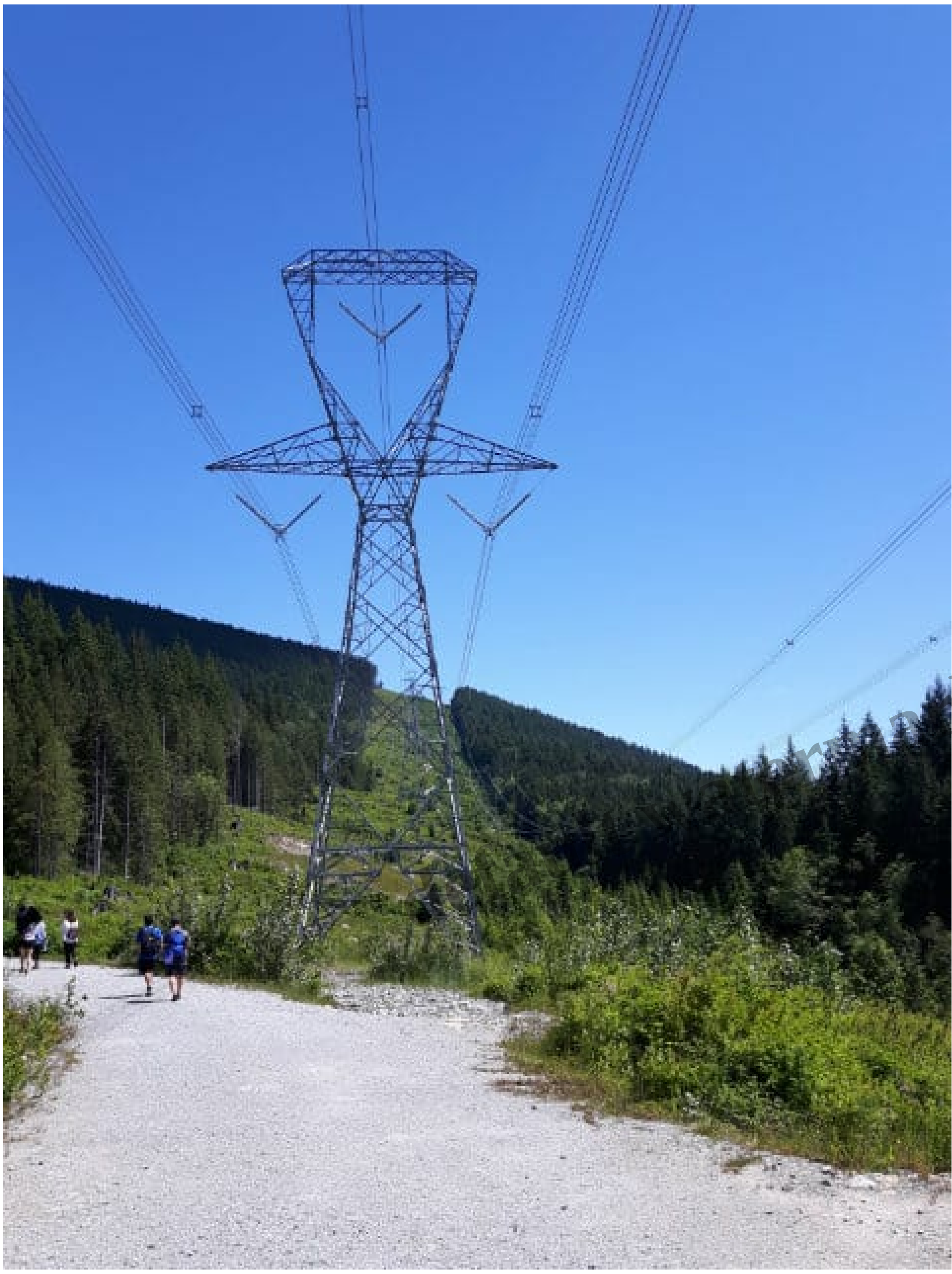
The stocks of both **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Emera Inc.** (TSX:EMA) popped more than 2% on Friday, but they're still trading near their 52-week lows. So, conservative investors looking for below-average volatility and dividend income should consider the steady-eddie utility stocks.

Steady eddie utilities

Fortis and Emera are largely regulated utilities, which have contract agreements that are often referred to as power-purchase agreements (PPA). The PPA sets out the amount of power the utility that the utility will provide, the utility rate, and how long the duration of the PPA will remain in force, which can often be upwards of two decades, as fellow Fool writer Demetris Afxentiou explained.

Afxentiou continued, "This provides the utility with an incredibly stable and recurring source of revenue, typically passed on in part to investors in the form of a very handsome dividend."

The stable nature of the businesses translates to share prices that are typically less volatile than that of the general market. That said, higher interest rates have weighed on the stocks, such that they offer attractive dividend yields.



Big — and growing — dividends

At the recent quotation of $41.50 per share, Fortis offers a dividend yield of 4.1%. Fortis is one of the top dividend-growth stocks publicly traded in Canada; it has increased its dividend for 44 consecutive years!

Fortis's five-year dividend growth rate is 6.3%, and management aims to grow its dividend per share by 6% per year on average through 2022. So, for taking below-average risk, an investment in the stock can deliver total returns of about 10% under normal market conditions.

At the recent quotation of $41.13 per share, Emera offers a dividend yield of almost 5.5%. Emera has increased its dividend for 11 consecutive years.

Emera's five-year dividend growth rate is 9.4%, and management aims to grow its dividend per share by 8% per year on average through 2022. So, for taking below-average risk, an investment in the stock can deliver total returns of more than 13% under normal market conditions.

Upside potential

Analysts at **Thomson Reuters Corp.** think Fortis and Emera have double-digit upside potential in the near term. They have a 12-month mean target of $47.90 for Fortis and $47.70 for Emera, which represent near-term upside estimates of about 15% and 16%, respectively, or total returns estimates of about 20% and 21%.

Investor takeaway

Both Fortis and Emera are steady-eddie utilities that conservative investors can consider. Between the two of them, Emera will likely deliver higher returns due to its bigger dividend and higher expected growth.

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2. Investing

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