3 Utility Stocks Under $25

Description

Utilities are some of the most consistent businesses on the planet, and it's no wonder that utility stocks have also delivered reliable profits.

In many cases, utility stocks can provide you with a unique blend of growth and income.

As energy needs rise and populations grow, utilities can increase prices across a growing array of customers. Often, their profits are nearly guaranteed through regulation, meaning they can afford to pay out huge chunks of cash flow every quarter.

If the characteristics above appeal to you, check out these three utility stocks, which are all trading for less than $25 per share.

Hydro One Ltd (TSX:H)

Hydro One had an uncharacteristic 2018.

After a management shakeup and whiffing on a potential acquisition, shares were fairly volatile. Still, since its IPO in 2016, the stock is roughly flat. Adding the dividend, investors have earned a modest 4% annual return over the last few years.

Given its recent turmoil, shares look attractively priced.

The dividend currently stands at 4.3%. By all indications, it's incredibly safe. Roughly 99% of revenues are fully regulated, which means the company is guaranteed a certain rate base and pricing year after year.

It would take a wild turn of events for Hydro One to reduce or eliminate its dividend. Looking ahead, it's more likely that it will continue to grow.

Over the next five years, Hydro One expects to organically grow its rate base by 5% per year. Because it maintains a consistent payout ratio, the dividend should increase annually by around the same amount.

This is hardly a get-rich-quick investment. Quite the opposite, in fact. But if you’re looking for an incredibly stable business that can deliver consistent mid-single-digit returns, Hydro One is about as good as it gets.

Northland Power Inc. (TSX:NPI)

Armed with a 5% dividend, Northland Power is another income-producing stock. The big difference is that its business is largely unregulated.

As an independent power producer, Northland Power isn’t guaranteed a rate base like Hydro One. Instead, it simply produces energy and sells it on the open market.

This model has downsides, especially if energy prices collapse. The upside is that if energy prices rise, the company can directly benefit. Hydro One, for comparison, would be capped at how much it could increase prices.

While the stock isn’t as stable as Hydro One, at 15 times earnings, it’s reasonably priced. With 2,429 megawatts of generating capacity, along with nearly 800 megawatts under construction, Northland Power should be able to grow more quickly than many of its fully regulated peers.

Algonquin Power & Utilities Corp (TSX:AQN)(NYSE:AQN)

Algonquin Power has the longest, most reliable track record of any stock on this list. The stock hasn’t finished a year in the red for more than a decade straight. Today, it delivers a 4.5% annual dividend.

Around 75% of Algonquin’s revenues are regulated, giving it a unique blend of growth and stability.

Over the next few years, management intends to spend billions of dollars to help grow EBITDA by 15% annually. Earnings and dividends are expected to grow more than 10% per year.

Algonquin stock is pricey, but its growth plans warrant the premium.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:H (Hydro One Limited)
4. TSX:NPI (Northland Power Inc.)

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