



2 Utilities Stocks for Yield Seekers

Description

High-yield dividend stocks may not outpace a bull market, but they are some of the best stocks to hold when equity markets are going down in flames. Not only are they generally less volatile, but the steady stream of income they provide helps smooth out market losses. If you are looking for high-yield stocks to add to your portfolio, below are two such stocks from the utilities sector.

A growing presence across North America

For those looking for high-yield dividend stocks, **AltaGas** ([TSX:ALA](#)) might be a great pick. The Calgary-based firm operates across three business segments: utilities, midstream, and power. The company's utilities segment is regulated and backed by contracts, which ensures stable cash flows. The firm's utilities presence in various U.S. states has been steadily growing, along with the earnings associated with it.

AltaGas expects its rate base to grow by mid-to-high single digits percentage points through at least 2022, which would contribute to a higher income. AltaGas is primarily a utilities firm, but its two other segments are helpful for diversification purposes.

The company derives a little over 50% of its earnings from its utilities segment, while about 35% comes from its midstream segment, and the rest from its power segment. In a move that should appeal to investors, AltaGas is currently working hard to [decrease its debt level](#). This is especially important since the firm slashed its dividends substantially at the end of last year. The company's dividend payouts at the time were simply not sustainable, and decreasing the amount it returns to shareholders was probably the right move. However, the company still offers a dividend yield of 5%, and with a stronger balance sheet and a growing business, AltaGas could be an excellent pick for yield seekers.

Betting on the future of clean energy

The move away from fossil fuels and towards renewable sources of energy is well underway. While it would be a mistake to claim that oil and gas will soon be relegated to second-class status in the energy industry, the fact remains that many top energy companies have started to invest somewhat heavily in clean energy.

Algonquin Power and Utilities ([TSX:AQN](#))([NYSE:AQN](#)) is one such company.

The Ontario-based firm acquires and operates clean energy solar, wind, hydroelectric, and thermal facilities. Of course, Algonquin is also in the utilities business, and the company owns and operates a portfolio of assets that reaches 70% of the U.S. population and 30% of the Canadian population.

Algonquin's reach extends beyond North America. During the second quarter, the company acquired Bermuda Electric Light Company, "the sole provider of regulated electrical generation" in Bermuda. Algonquin will likely continue growing; the firm constantly seeks to acquire new businesses to add to its portfolio. Algonquin chooses companies that offer stable cash flows within the utilities and renewable energy sectors.

Having access to stable cash flows obviously helps the firm reward investors by way of dividends. Over the past five years, Algonquin has increased its dividend payouts by 61%. Algonquin currently offers a yield of 4.37%, and with a payout ratio at around 76% (which isn't bad by industry's standards), the company seems capable of sustaining its dividends.

The bottom line

No one knows with certainty whether a recession is truly on its way, but if it is, those looking to high-yield dividend stocks would do well to consider AltaGas and Algonquin Power.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks

- 2. Energy Stocks
- 3. Investing

Tags

- 1. Editor's Choice

Date

2025/09/17

Date Created

2019/08/27

Author

pbakiny

default watermark

default watermark