



## 2 Utility Stocks You Can Buy and Hold for the Next Decade

### Description

Utilities was a hot sector in the second half of 2019, with many stocks up to or near 52-week highs by the end of the year.

While the sector doesn't look to be too undervalued at the moment, it's still a good idea to be somewhat overweight the sector, especially if you need to add stable income to your portfolio.

I also expect utilities to be one of the top sectors going forward in 2020, as more investors gain exposure and continue to bid up the price of the shares.

If you are still underweight utilities and need to add some to your portfolio, two of the top utility stocks to buy today are **AltaGas Ltd** ([TSX:ALA](#)) and **Fortis Inc** ([TSX:FTS](#))([NYSE:FTS](#)).

### AltaGas

AltaGas isn't entirely a utility, as it also has operations in the midstream energy industry with activities such as natural gas gathering, processing, and transportation.

I wouldn't look at that as a negative though, as it actually gives its cash flow some diversification, plus it's still generating highly stable revenue.

Management has been revamping the company lately, selling non-core assets to reduce its debt and strengthen its stability. It's also improved its operations, growing its earnings before interest, taxes, depreciation, and amortization (EBITDA) considerably.

In 2019, by the end of the third quarter, AltaGas had already sold roughly \$2.2 billion of its non-core assets, while growing its EBITDA by more than 37% at the same time.

It's quite impressive that it was able to grow and improve its operations at the same time that it's reducing its overall assets.

Plus, the move is important for AltaGas because it has proven it can generate more profit while strengthening the business by reducing its overall debt, which had gotten out of hand.

Furthermore, one of its biggest growth projects ever came online earlier this year, the Ridley Island Propane Export Terminal which has already started exporting Canadian energy products to Asia, a move that will bring a well-needed boost to Western Canadian exports and one that will help to drive growth for AltaGas.

On top of everything else, its dividend yields around 5% which is just one more reason to buy this very attractive utility stock.

## Fortis

Fortis is one of the top utility companies out there. It operates both electric and gas utilities, with more than 3 million total customers.

For many utilities, since the revenues are mostly or completely regulated, the major key to being as risk-free as possible, is to have operations in as many jurisdictions as possible.

This is crucial so that any unforeseen and unfavourable government rulings in one of your operating jurisdictions doesn't impact the entirety of the business.

That is what makes Fortis one of the most stable and low-risk utilities, as it has diversified its operations so that it's now operating in 16 total jurisdictions across Canada, the U.S., and the Caribbean.

The company is included on the Canadian Dividend Aristocrats list and looking at its history it's obvious to see why. Since 2008 it's increased its dividend by roughly 72.5%, while keeping its payout ratio highly sustainable and consistent between 65% and 70%.

It has a long track record, with 46 consecutive dividend increases. Today, the dividend yields roughly 3.5% and going forward, Fortis expects to increase it roughly 6% annually until at least 2024.

Its five-year average price to earnings ratio is nearly 20 times. As it's trading below that (around 15 times), it looks pretty undervalued, adding more incentive for investors to build a position.

## Bottom line

The utilities sector will continue to be one of the most popular sectors for investors seeking defence in 2020, which should drive considerable growth in valuations throughout the year.

These are two of the best companies in the industry, so you know whatever happens with the industry as a whole these two will be top stocks that will help your portfolio to [beat the market](#).

AltaGas is a better choice for an investor that wants more growth, but it comes with more uncertainty. With Fortis you can be confident about protecting your capital. It won't grow as fast as AltaGas, but it can be counted on to return you quality and increasing income.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:FTS (Fortis Inc.)

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