



Forget Fortis: These 2 Utility Stocks Are Best in Class

Description

Utilities are always important investments to have in your portfolio for income and stable cash flow, especially as the economy reaches its peak and uncertainty starts to creep into the market.

And of all the utilities, one of the absolute best stocks you can buy is **Fortis**, due to its strong operations and long-track record of success.

Fortis is one of the highest quality [Canadian Dividend Aristocrats](#), with nearly 50 years of dividend increases and a strong and robust business diversified across North America.

Fortis can be a great stock for investors, and for those who already own Fortis, I'm not suggesting you should go out and sell your shares. However, if you're looking to add a stock with utility operations today, there are better and more opportune options than Fortis.

In this day in age, you'll want to mix the defensive aspect of a utility business with the long-term growth potential of renewable energy.

Two exciting stocks with utility operations as well as renewable generation capabilities are **Algonquin Power and Utilities Corp** ([TSX:AQN](#))([NYSE:AQN](#)) and **Northland Power Inc.** ([TSX:NPI](#)).

Algonquin

Algonquin is an exciting company divided into two subsidiary businesses, Liberty Power and Liberty Utilities.

Liberty Utilities operates across 12 states in the U.S., bringing water, gas and electrical utility services to roughly 800,000 customers. The business is key to Algonquin's long-term strategy, earning the company predictable and reliable cash flow which it can then use to reinvest in growth projects such as building new renewable energy assets.

Liberty Power the company's green energy business has roughly 1,150 MW of generating capacity

from its current assets as well as additional high-potential development projects.

The company is always looking for new ways to create value for shareholders, whether through building new renewable projects, finding organic growth opportunities in its existing businesses or looking for highly attractive acquisitions; management is always looking for the next opportunity.

The stock trades at roughly 21 times earnings and pays investors a roughly 3.4% dividend today.

Northland Power

Northland was a predominantly renewable power generation company for a while, but most recently acquired some utility assets, helping to insulate its business by having more exposure to regulated revenue.

The company owns assets with more than 2,000 MW of generating capacity combined, as well as having another roughly 400 MW under construction which represents 20% of its current capacity.

It also has a 60% stake in the Hai Long offshore wind project, which is in the advanced stages of development and expected to have over 1,000 MW of generating capacity off the coast of Taiwan.

Northland is well positioned for the future, with strong assets in its current portfolio and big potential projects. It's also improved the company's overall position by adding a utility company, bringing a large amount of predictable cash flow with it.

The stock's been on a major rally since the announcement of Northland's Colombian utility acquisition, as this high-growth stock is now even more insulated, making it one of the most attractive Canadian stocks to own over the long term.

The stock trades today at an 18.5 times price-to-earnings ratio, which is slightly cheaper than Algonquin; its dividend is slightly higher than Algonquin's, at 3.85%.

Bottom line

There is no question that renewable energy is the fuel of the future, and we'll see a number of high-quality opportunities over the next few years, enabling investors to take advantage of this rapid change.

Both these companies take that opportunity a step further by offering high-quality growth potential coupled with the safety and stability of a utility business.

While the stocks aren't cheap, given the level of growth potential they provide and the long-term stability of their businesses, these are attractive valuations for Algonquin and Northland, two companies you can count on to provide your portfolio with both capital appreciation and a growing passive income stream.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NPI (Northland Power Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/08/28

Date Created

2020/02/14

Author

danieldacosta

default watermark

default watermark