1 Stock to Defend Your Portfolio and Another to Grow It

Description

Hydro One (TSX:H) is Ontario's largest electricity transmission and distribution service provider. It distributes electricity across Ontario to nearly 1.4 million predominantly rural customers, approximately 26% of total customers in Ontario. Hydro One's transmission covers 97% of the province and the company boasts that it can manage and maintain enough distribution lines to wrap around the earth three times.

Hydro One operates in a non-cyclical business with assured revenues. Recession or not, people will continue to use electricity. In fact, with people cooped up at home, usage will only go up. At $26..53, the stock price is just $5 over its 2015 IPO price of $20.5. The price reached at an all-time high of $29.53 in February 2020. Hydro One is a great defensive stock and sports a forward yield of 3.6%. It is a great stock to hold in both good times and bad. You won't see this stock outpace market returns in a bull run, but it will not crash during volatile periods either.

The company is heavy on efficiency. Operating costs, after adjusting for investor-related expenditures, decreased by approximately $50 million year-over-year in the last quarter. In 2019, it also realized productivity savings of $202 million, representing a 49.3% increase year-over-year. This now means that since 2015, total productivity savings amount close to $0.5 billion.

Hydro One is one of the most boring stocks you will see on the exchange but boring is exactly what the world needs right now.

An energy infrastructure giant

AltaGas (TSX:ALA) is a leading North American energy infrastructure company that connects NGLs and natural gas to domestic and global markets. With its 2018 WGL acquisition, the company has entered the utility space in a big way.

AltaGas has seemingly gotten a raw deal from the markets. While the steep drop in oil prices has affected all companies that operate in this space, it has hit AltaGas harder. Are sellers missing the woods for the trees here? I think so.

The company has increased its exposure to the utility segment and this move will start paying off in the future. Over half of estimated revenues from 2020 is expected to come from its utilities segment. That is why the company is confident that it will meet its 2020 guidance of expected normalized EBITDA in the range of $1.275 to $1.325 billion. For 2019, the figure was $1.271 billion.

AltaGas has reduced net debt by approximately $3 billion in 2019. It completed $2.2 billion in non-core asset sales, exceeding its target of between $1.5 to $2.0 billion. AltaGas also suspended its dividend reinvestment program. These steps have given the company the capacity to fund approximately $1 billion in annual growth with internally generated cash flow and incremental debt capacity.

AltaGas is a diversified, low-risk, high-growth energy infrastructure company with a forward yield of over 6.4%. It's a great buy in the current scenario. If you invest $10,000 in this stock, you will generate close to $650 in annual dividend payments. The stock has lost close to 65% in market value in the last five years. However, it remains one of the top bets for contrarian investors. In the last five trading sessions, the stock is up 20% and has gained 60% since March 23.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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2. TSX:H (Hydro One Limited)

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