



My Top 3 Utility TSX Stocks for Passive Income

Description

Would you like to buy utility stocks that generate stable passive income? And that offer capital appreciation in the long run as well? Well, here are my top three TSX utility sector stocks. You could buy any of these now for an additional income stream.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) has a long history of paying higher dividends. To be precise, Fortis has increased its dividends for 46 years in a row, and offers a healthy 3.6% dividend yield. The company's diversified utility business backs its consistent dividend growth. Fortis generates about 99% of its earnings from regulated utility business, which implies that its earnings and cash flows are relatively immune to economic doldrums.

Fortis's long-term growth story remains intact as it will continue to benefit from rate base growth. Fortis projects [its rate base to increase](#) to \$34.5 billion by 2022, reflecting a compound annual growth rate (CAGR) of 7.2%. Moreover, it is expected to reach \$38.4 billion by 2024, implying a CAGR of 6.5%.

The strong rate base growth ensures steady increase in cash flows and dividend payments. Fortis expects its dividends to increase by 6% annually through 2024.

Fortis's financial position remains strong, with enough liquidity. It is moving ahead with its capital expenditure plans despite challenges from the COVID-19 outbreak, which is a sign of its business. Fortis is a perfect stock for investors seeking steady passive income in the long run, thanks to its low-risk business model and predictable cash flows.

Canadian Utilities

Similar to Fortis, **Canadian Utilities** ([TSX:CU](#)) also has a long history of consistently boosting investors' return through higher payouts. Investors should note that Canadian Utilities has increased its dividends [in the past 48 years](#) and has the longest history of consistently growing its payouts.

The company's business remains immune to economic cycles, thanks to the contracted and regulated nature of its cash flows. Canadian Utilities generates about 95% of its adjusted earnings from the rate-regulated utility business.

The company's predictable cash flows suggest that its dividends are safe. Meanwhile, cost savings initiatives and rate base growth should support future payouts. Canadian Utilities continues to invest in regulated and contracted assets, which provides a solid base for growth in earnings and, in turn, payouts.

Canadian Utilities stock offers an attractive dividend yield of 5.4% and should be a preferred choice of income-seeking investors.

Brookfield Renewable Partners

Brookfield Renewable Partners ([TSX:BEP.UN](#))([NYSE:BEP](#)) is a perfect stock to generate stable passive income. Brookfield Renewable Partners has increased its dividends at an annual rate of 6% since 1999. The company's resilient business backs the impressive payout growth.

Brookfield generates clean and green energy, the demand for which continues to grow. The company's diversified revenue streams are supported by long-term power-purchase agreements that ensure robust dividend payments.

Investors should note that over 95% of its power production is contracted, which implies that a decline in demand and the economic slowdown will not have much of an impact on its cash flows. Besides recurring cash flows, its capital recycling strategy drives liquidity to deploy funds in high-growth opportunities.

Brookfield Renewable Partners stock offers a dividend yield of 4.6%. Meanwhile, management targets a 5% to 9% annual growth in payouts.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:FTS (Fortis Inc.)

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