



Investing \$2,000 in These 2 TSX Stocks Would Be a Genius Idea!

Description

With the **S&P/TSX Composite Index** sitting only ~9% below its all-time highs set in February, it can be difficult to spot stocks with additional upside. The reality is, much of the TSX has been bolstered by strong technology performers like **Shopify**.

Although stocks like Shopify continue to outperform, valuations are stretched at this point. There continue to be considerable health, political, and economic risks that could upend markets. So for me, I am looking to now focus more on more safety stocks for the rest of the year.

If I had \$2,000 to invest, here are two stocks that could safely end up being genius investments over the long haul!

TSX safety stock: Fortis

If you are worried about further TSX volatility, one stock to own is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)). It operates 10 regulated utility operations across North America. The stock's quick 40% recovery since the March market crash demonstrates the quality of its overall operations platform.

Fortis released its second-quarter earnings on Thursday. Generally, [it was a solid quarter](#). Net earnings per share were down 64% since last year due to a number of one-time accounting items, lower demand, and higher COVID-19 related costs. However, on an adjusted basis, net earnings per share improved by ~4% to \$0.54/share.

You don't get more stable than Fortis

This stock has an incredibly stable, regulated revenue profile. 63% of its revenue is protected by regulatory mechanisms. The remaining residential (19% of revenues) and commercial (18% of revenues) segments saw sales increase by 3% this quarter.

Fortis is investing \$18.8 billion into its capital growth plan. It expects to grow its rate base by a

compound average growth rate of 6.5% over the next five years. Consequently, Fortis expects to grow its current 3.42% dividend yield by 6% a year. Management affirmed its 2020 outlook, and I think today still presents a very attractive opportunity to buy into this solid TSX dividend stock.

TSX value and growth stock: AltaGas

Another TSX stock that is a great buy for August is **AltaGas** ([TSX:ALA](#)). Despite facing challenges posed by COVID-19, [it posted another strong quarter](#). Revenue and normalized EBITDA dropped 10% and 2%, however, that was mostly due to asset sales. In fact, AltaGas turned a profit of \$0.08/share, beating the average analysts' estimates of \$0.01/share.

This quarter further demonstrated that this TSX stock is moving in the right direction. 85% of its earnings this quarter were underpinned by rate-regulated utilities and its contracted midstream business. Its natural gas utility did see lower demand and an increase in COVID-19 related costs.

Fortunately, 70% of earnings are protected by decoupling and fixed bill charges, so it can recover most incremental COVID-19 related costs. The point is, this low-risk business segment performed as it ought to.

The real strength in the quarter stems from its midstream operations that saw strong pricing and export demand for propane. Management believes it can still achieve a 20% increase in volumes to 50,000 Bbls/day by the end of the year.

AltaGas is doing all the right things

Overall, AltaGas keeps doing the right things. Since January, it reduced debt by \$400 million. The company has \$900 million of self-funded growth initiatives, of which 75% is directed to utility rate base growth. In fact, it expects to grow its rate base by a five year CAGR of 8% to 10%.

This TSX stock is one of the cheapest utilities among its peers. It has a price to earnings ratio of only around 13 times (the peer average is 18.4 times). Yet, its growth metrics are in many instances better.

It pays a great 5.8% dividend that is well funded (AFFO payout ratio of 57%). This stock will grow from rate base growth, increased midstream volumes, and likely an improved valuation over time. Consequently, it would be a genius idea to buy this stock today!

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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

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Date

2025/07/06

Date Created

2020/08/01

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