



3 Best Stocks to Buy Right Now Under \$20

Description

As bond yields edge lower amid economic uncertainty and high liquidity, consider buying dividend-paying stocks offering high yields. However, investors need to be cautious, as low bond yields also indicate concerns about the prospects of the economy, which could affect your returns.

Nevertheless, a few dividend-paying stocks operate businesses that [remain immune to the economic cycles](#) and continue to generate strong cash flows that cover their payouts. Moreover, the best aspect is that you can buy the shares of these dividend-paying companies with just \$20.

Let's delve into three stocks that are offering high yields and are under \$20.

AltaGas

The 5.6% forward yield makes **AltaGas** ([TSX:ALA](#)) a top dividend-paying stock under \$20. Its low-risk utility assets and high-growth midstream businesses ensure that the company continues to pay higher dividends to its shareholders.

The company said that about [60% of its normalized EBITDA](#) in 2020 is likely to come from the rate-regulated utility business, which adds stability and growth. Meanwhile, the Ridley Island Propane Export Terminal (RIPET) came into service, and its midstream operations are likely to report strong financials, reflecting higher export volumes and utilization rates.

AltaGas's investments in infrastructure and addition of new customers are likely to drive 8-10% growth in its utility rate base annually through 2024, which is encouraging. Moreover, the export volumes at RIPET is likely to increase significantly, which is likely to boost the financial performance of its midstream business. Further, debt reduction and cost savings bode well for growth and add cushion to its profitability.

With strong growth prospects, a forward EV/EBITDA multiple of 9.6 and year-to-date decline of about 13%, AltaGas stock offers good value for long-term investors.

TransAlta Renewables

TransAlta Renewables ([TSX:RNW](#)) is another top dividend-paying stock under \$20 offering robust yield. Its high yield of 5.9% is very safe, thanks to its diversified asset base backed by long-term contracts with an average life of 11 years.

Investors should note that since 2013, the company's dividends have grown at a compound annual growth rate of 4%, thanks to its ability to generate strong cash available for distribution.

The company's highly contracted assets help generate predictable cash flows. Moreover, cost competitiveness and its long-term service agreements with suppliers and pass-through provisions for fuel reduce the impact of price volatility. Income-seeking investors should keep TransAlta Renewables stock on their radars for its reliable cash flows, high yield, and monthly payouts.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) is known for consistently boosting investors' returns through higher dividends. The utility company's dividend has increased by 10% annually in the last 10 years. Meanwhile, its dividend could continue to grow in the coming years, thanks to its predictable cash flows.

The company's low-risk utility business and cost reductions boost its cash flows and cover its payouts. Its renewables business benefits from long-term contracts with inflation indexation to minimize price risk.

Algonquin Power's expansion of electric transmission and renewable energy business provides a strong foundation for growth. Further, strategic acquisitions are likely to accelerate growth and support its payouts. Shares of Algonquin Power & Utilities currently offer a solid dividend yield of 4.5%.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:RNW (TransAlta Renewables)

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