



High Dividend Yield Utility Stocks: Where to Invest \$1,000 Now?

Description

Utility stocks are best known for their robust dividend payments. Thanks to the regulated nature of their business and long-term contractual arrangements, utility companies offer stellar dividends that continue to grow with each passing year and boosts shareholders' returns.

Besides dividends, utility companies generate predictable cash flows and are relatively stable, making them attractive investment amid uncertainty. So, if you are looking for a steady dividend income without risking your capital, consider buying these utility giants offering over a 5% dividend yield.

Capital Power Corporation

Capital Power Corporation ([TSX:CPX](#)) is among Canada's top utility companies offering a high dividend yield of over 6.7%. Capital Power owns a modern and diversified portfolio of power generating assets generating predictable and growing cash flows. Thanks to its highly contracted assets, the pandemic hardly had an impact on its cash flows.

The company's revenues jumped 27% in the first six months of 2020, while its adjusted EBITDA improved by 15%. Capital Power has increased its annual dividends for seven consecutive years, including the [recent hike](#) of 6.8%. The company expects its dividends to increase by 7% in 2021 and by 5% in 2022.

The company's recent acquisitions and continued progress on its annual capital for growth programs are likely to support its cash flows, in turn, its future payouts.

AltaGas

With most of its revenues coming from the regulated assets, **AltaGas** ([TSX:ALA](#)) is another stock in the utility sector, offering a dividend yield of over 5%. To be precise, AltaGas stock currently offers an annual yield of 5.5%, with a monthly dividend payout.

The company generates over 60% of its adjusted EBITDA from the regulated utility assets. Further, AltaGas forecasts an annual growth of 8-10% in its utility rate base till 2024, implying that its payouts

are safe.

While its utility business generates stable cash flows, the midstream operations are growing at a brisk pace, reflecting higher export volumes and increased utilization rate. Investors should note that AltaGas runs a low-risk and a high growth business and offers a stellar dividend yield. If you are looking for both growth and income, keep AltaGas stock on your radar.

Canadian Utilities

Canadian Utilities ([TSX:CU](#)) should be on top of the buying list for every [income-seeking investor](#). The company boasts of the longest track record of consistently increasing its dividends. For those who do not know, Canadian Utilities has raised its dividends for the past 48 consecutive years.

The dividend king pays a quarterly dividend of \$0.44 per share, reflecting an annual yield of over 5.1%.

With about 95% of its earnings coming from the utility assets, its cash flows remain immune to the economic cycles. Moreover, it implies that its dividends are pretty safe.

Canadian Utilities continues to invest in the contracted and regulated assets, which should help the company to deliver high-quality earnings and support its future payouts.

Final thoughts

Investors seeking high yield amid a lower interest rate environment should snap up these utility stocks. The dividends of all these companies are safe and could continue to increase in the coming years, thus boosting your overall returns.

CATEGORY

1. Coronavirus
2. Dividend Stocks

TICKERS GLOBAL

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2. TSX:CPX (Capital Power Corporation)
3. TSX:CU (Canadian Utilities Limited)

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