The 3 Top Utility Stocks to Buy Now for the Dividends

Description

Utility companies are known for their defensive business that continues to chug along nicely irrespective of economic cycles. While utility companies are a go-to avenue when the market starts to tick downward, they are also famous for their robust dividends payments.

The rate-regulated assets, contractual arrangements, and creditworthy counterparties help utility companies generate predictable and growing cash flows that support dividend payments. Meanwhile, continued investment to drive rate base growth suggests that these companies could continue to boost investors' returns through higher dividends in the future.

Capital Power Corporation

With its young fleet of long-life assets and 6,500 megawatts power generation capacity, **Capital Power Corporation** (TSX:CPX) is among the top Canadian utility companies that continue to boost its shareholders' returns through higher dividend payments.

Capital Power has increased its dividends for seven years in a row at an annual growth of approximately 7%. Meanwhile, it projects dividend growth of about 7% in 2021 and currently offers a high yield of 5.9%.

Capital Power's highly contracted portfolio (about 75% of its adjusted EBITDA in 2020 is likely to come from contracted assets), geographical diversification, and a strong pipeline of growth opportunities positions it well to deliver strong growth in 2021. Meanwhile, its high yield further strengthens my bullish outlook on its stock.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) has delivered impressive returns over the past several years. Its stock appreciated by about 545% over the past decade. Moreover, Algonquin Power & Utilities raised its dividends by 10% annually during the same period.

The company owns a diversified portfolio of high-quality utility and renewable assets that generate robust cash flows. Besides, Algonquin Power & Utilities' investments in regulated asset base and expansion of the renewable power business are likely to support its cash flows and drive its dividends in the coming years.

The company pays a quarterly dividend of US$0.15 per share, translating into a dividend yield of 4%. Meanwhile, its resilient and growing cash flow suggests Algonquin Power & Utilities could continue to increase its dividends by 10% annually in 2021.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a top utility stock listed on the TSX and has a robust history of consistently increasing its dividends. Almost all of the company's earnings come from the high-quality regulated utility assets that generate predictable and growing cash flows.

Thanks to its resilient business and robust cash flows, Fortis has increased its annual dividends for straight 47 years and currently offers a yield of 3.9%. Meanwhile, it projects its rate base to increase by over $10 billion over the next five years, which is likely to drive its dividends. The company expects its annual dividend to increase by 6% through 2025.

Fortis's low-risk and diversified assets, investments in renewable power and infrastructure, strategic acquisitions position it well to continue to deliver strong returns in the coming years.

Bottom line

With interest rates being low and an uncertain economic environment, consider buying the shares of these top utility companies to squeeze healthy returns in the form of higher dividends and share price appreciation.

CATEGORY

1. Coronavirus
2. Dividend Stocks

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:CPX (Capital Power Corporation)
5. TSX:FTS (Fortis Inc.)

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