



2 Top Utilities Stocks on My Radar Today

Description

The pandemic is breeding a somewhat rocky market right now. While predicting fiscal trends is difficult in these markets, investors are finding renewed interest in utility stocks. Why? Well, utilities stocks tend to be defensive. And they pay relatively high dividend yields. Accordingly, investors worried about a potential market correction may choose to hide in utilities stocks. After all, it's generally a safe place to hide.

For those looking for safety and income in this environment, these two stocks are among my top picks.

Algonquin Power

As far as utilities stocks go, **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) remains a great option for any investor. The stability of Algonquin's core business, combined with its [growth potential](#), makes this one of my top utilities plays.

The stock is fresh off a correction, making now a great time to get into this high-quality utilities play. This company offers investors with some of the best operational efficiency metrics of its peers. Its profit margin of 47% absolutely blows away the industry average of 13%. And there's a reason for this.

The company's business model is based on not only regulated utilities, but also a growing renewable energy portfolio. Algonquin has managed to pick up high-quality assets at discounted prices over the years, benefiting long-term investors looking for cash flow growth machines.

Algonquin has used its impressive growing cash flows to not only invest in more growth projects, but also raise its dividend. In fact, Algonquin has been one of the most impressive dividend growers among its peers. Over the past few years, double-digit dividend increases have become the norm. If this continues, Algonquin could become a sneaky dividend growth gem.

I think this stock provides the perfect mix of growth and defensiveness today. At a price-earnings ratio of only 25, I think Algonquin is dirt-cheap, given its growth and income profile.

Fortis

One of the most significant utilities players in Canada is **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)). This company operates a highly defensive business which is also highly diversified. The company operates various electricity transmission, natural gas supply, and power generation businesses in North America and the Caribbean.

Fortis is mainly famous for increasing its dividend payout for almost five decades. Taking a look at the fundamentals will reveal that this firm certainly has the ability to continue to do so over the next five decades. Compared to an average industry price-book ratio of 1.31, it is cheaper than 85% of the companies listed in this industry.

Fortis' predictable cash flows from its regulated utilities business is the main driver of the company's ability to raise its dividend consistently. While these regulated contracts otherwise cap upside in inflationary environments, they also provide downside protection. Accordingly, this is one of the safest utilities plays out there.

Fortis' 3.7% dividend yield may not seem like much on the surface. However, when one considers the kind of dividend growth potential with this stock, it becomes apparent – Fortis is a long-term winner.

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2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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