



3 of the Best Value Stocks to Buy in July 2021

Description

Despite the ongoing rally in equity markets, there are a few stocks that are trading at an attractive valuation. Generally, companies trading below their intrinsic value are called value stocks, which also suggests they should derive outsized gains for investors and beat the broader markets moving forward.

We'll look at three [value stocks](#) on the TSX that you can buy right now.

Fortis

The first stock on my list is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), a Canadian utility giant that provides investors with a forward yield of 3.7%. Fortis derives a majority of its cash flows from rate-regulated utilities, which have allowed it to increase dividends for 47 consecutive years.

Investors can expect dividend increases to continue in the near term, as Fortis has forecast to invest close to \$20 billion in capital expenditures through 2025. The company claims the transition towards clean energy solutions reduces overall risk to stakeholders. These investments will be across verticals that include wind, solar, and battery storage as well as liquefied natural gas and renewable natural gas.

Its capital plan should increase the company's base rate by \$10 billion to \$40 billion in 2025, which will support an average annual rate base growth of 6%. Fortis stock is valued at a forward price-to-earnings multiple of 20.1, while its EPS is forecast to grow at an annual rate of 7% in the next two years.

Algonquin Power & Utilities

Another utility and renewable energy player that should be on the radar of value investors is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)). Around two-thirds of its earnings are generated from utility operations and the rest from renewable energy.

In Q1 of 2021, AQN explained its wind facilities in Texas were impacted due to extreme weather

conditions, which hurt renewable energy earnings. However, its revenue was still up 36% year over year, while adjusted EBITDA soared 17% in the March quarter. The decline in renewables was offset by regulated utility earnings.

AQN's predictable cash flows have allowed the company to increase dividends at an annual rate of 10% in the last decade. In Q1, Algonquin further raised dividends by 10% bringing its forward yield to 4.5%. The company has outlined \$9.4 billion in capital expenditures through 2025, which should help it grow dividends in the upcoming years as well.

Suncor Energy

The final company on my list is **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) — a stock that has gained 31% in the last year and provides a forward yield of 2.9%. Stocks that are part of the energy sector are well positioned to continue their rally in the second half of 2021 due to the reopening of economies and rising crude oil prices.

Even Canada's largest pension funds are now eyeing the energy sector. In fact, the country's five largest pension funds increased [investments in oil sands producers](#) by 147% year over year to \$2.1 billion.

In the first quarter of 2021, Suncor reported net earnings of \$821 million, which was a massive improvement compared to its net loss of \$3.53 billion in the year-ago period. Further, its funds from operations in Q1 more than doubled to \$2.11 billion.

CATEGORY

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2. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:FTS (Fortis Inc.)
6. TSX:SU (Suncor Energy Inc.)

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