



3 Top Recession-Proof Stocks to Buy in August 2021

Description

In the last 18 months, the equity markets have endured a highly volatile period. Most indices lost over 35% in market value at the onset of the pandemic. But a spectacular snapback rally meant that the losses were recovered in the following months driven primarily by a low-interest-rate environment and federal benefits.

However, investors should note that economic cycles are inevitable and you need to be prepared for a downturn. One way is to hold recession-proof stocks in your portfolio that are able to generate solid revenue and earnings irrespective of the state of the economy.

Here, we take a look at three recession-proof stocks you can buy this month.

Fortis

The first company on my list is utility giant **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)). The stock provides investors with a tasty dividend yield of 3.5%. Fortis has managed to increase its payouts for 47 consecutive years. It's a Dividend Aristocrat due to a resilient and regulated business model.

Almost 100% of the company's cash flows are regulated, which means cash flows will be predictable and stable. Fortis continues to expand its base of cash-generating assets that are currently valued at \$56 billion, generating close to \$10 billion in annual sales.

Most experts agree that equity markets are significantly overvalued. Further, there are fears of inflation number rising in the near term, which might trigger a broader market sell-off. However, Fortis has been known for its stability and has successfully endured multiple business cycles in the past.

Algonquin Power & Utilities

Another recession-proof stock that should be on your radar is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)). It offers investors a tasty dividend yield of 4.3% and has returned over 100% to

shareholders in dividend-adjusted returns since August 2016.

In the first quarter of 2021, it reported an adjusted EBITDA of \$283 million, an increase of 17% year over year. Its net earnings per share rose 5% to \$0.20 in Q1, an increase of 5% year over year.

Algonquin has two primary businesses which include utilities and renewables. These businesses have multiple growth levers that enable Algonquin to consistently increase its cash flows and dividend payouts.

In Q1 its regulated business generated \$204 million in operating profits, while Algonquin's renewable business stood at \$97 million. The company is fundamentally strong and ended the quarter with \$1.5 billion in available liquidity, providing it with enough room to reinvest in capital expenditures as well as accretive acquisitions.

Canadian Utilities

The final stock on my list is **Canadian Utilities** ([TSX:CU](#)). This Canadian utility heavyweight has increased its [dividends](#) for 49 consecutive years, the highest streak of any **TSX** stock.

CU stock currently has a forward yield of a juicy 5% and has returned over 20% to investors after adjusting for dividends. Similar to the other two companies here, Canadian Utilities also operates in a regulated industry and will continue to drive predictable cash flows.

It has a wide base of contracted assets that should drive its [high-quality earnings base](#) thereby supporting dividend payments in 2021 and beyond. Analysts also expect a strong recovery in CU's energy infrastructure business, further boosting its cash flows.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:FTS (Fortis Inc.)

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Author

araghunath

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