



3 Top Canadian Utilities Stock to Buy Next Week

Description

Unless you are investing in bonds or a handful of other assets, few investments are completely safe. And the ones that are quite safe are incidentally not very rewarding. But the safety “spectrum” is quite diverse within an asset class as well. For example, when it comes to stocks, a utility stock is likely to be significantly safer compared to a crypto stock.

And if you are looking to invest in utility stocks that are not just safe but also rewarding, there are three that should be on your radar.

The oldest aristocrat

Canadian Utilities ([TSX:CU](#)), the [oldest aristocrat](#) on the TSX, also happens to be an amazing utility stock (at least from a dividend investor’s perspective). The company has a diverse consumer base. It caters to both residential and business consumers and offers electricity, natural gas, and water (to industrial clients). There is geographic diversity as well since two million of its customers hail from four countries (including Canada).

This utility company is stable, and while it’s a good thing from a financial and dividend sustainability perspective, it doesn’t reflect very well when it comes to capital appreciation. The 10-year CAGR is 5.2%, which is better than nothing, but it’s paltry compared to many other modestly decent growth stocks.

The yield of 5%, however, especially if you combine it with the company’s stellar dividend history, makes its dividends reason enough to buy this utility stock.

A renewable energy company

If you stretch the definition of a utility company to include the companies *generating* the electricity, you can add a company like **TransAlta Renewables** ([TSX:RNW](#)) into the mix. The company has been around for about a century and is well versed in designing, operating, and maintaining renewable

power-generation facilities, primarily hydro-powered.

The company *has* included natural gas and wind into the mix, and even though it has a presence in the U.S. and Canada only (for now), the company might expand into other territories, too.

To investors, this company offers a better mix of dividends and capital appreciation potential than CU. The five-year CAGR of 12.8% is significantly higher than CU's, and the yield is just a tad smaller (4.8%).

A renewable energy and utility company

A utility company is safe because of its revenue source. Paying utility bills take precedence in most households over most other expenses and usually falls second only to the housing expense (rent/mortgage). But if you combine it with renewables, the energy source that will stay relevant for the next several decades, you have an even safer company on hand. [An example](#) would be **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)).

The Oakville-based company has been around for a little over three decades. It has a production capacity of about three GW, total assets of around \$15 billion, and one million utility customers (electricity, natural gas, and water). The bulk of the company's revenue comes from electricity (55%) and another huge chunk from natural gas (30%). The company's portfolio is quite heavily reliant on wind power.

Algonquin is a powerful growth stock. Its 10-year CAGR is 18.4%, and at its current valuation, it's almost a bargain. It also offers a decent dividend yield of 3.5%.

Foolish takeaway

If you are looking for the top utility stocks to buy anytime soon, these three should be the ones you begin with. They offer a decent combination of safety, growth, dividends, and prospects. Also, since two out of the three [dividend stocks](#) are aristocrats, you can expect your payouts to grow over time.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:RNW (TransAlta Renewables)

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