



2 Cheap High-Yield Utility Stocks to Buy Now

Description

Utility stocks have come under pressure in recent days amid fears of rising interest rates. Higher rates can be negative for the sector, but the drop looks overdone and gives income investors a chance to buy some top TSX [dividend stocks](#) at cheap prices.

TransAlta Renewables

TransAlta Renewables ([TSX:RNW](#)) trades near \$18.90 per share at the time of writing and offers a dividend yield of 5%. The stock is down from the 2021 high around \$24.50, so there is decent upside potential on the next rebound.

TransAlta Renewables owns solar, wind, hydroelectric, and natural gas power generation assets in Canada, the United States, and Australia. The stock took a hit after Q2 2021 results came in weaker than expected, but the long-term outlook for the company should be positive.

TransAlta Renewables grows through the purchase of renewables assets from for its parent, **TransAlta** ([TSX:TA](#))([NYSE:TAC](#)), which owns about 60% of the stock. TransAlta Renewables also makes strategic acquisitions, including a recent wind deal in the United States. In addition, the company has organic growth developments including a hybrid solar-battery project for a mining client in Australia.

The parent company just announced a dividend hike of 11%, so management appears to be comfortable with the cash flow situation at TransAlta Renewables.

Dividends are paid monthly, making the stock attractive for retirees who want to get regular distributions on investments. This is a good stock to stick in a TFSA portfolio focused on passive income.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) operates one division that builds and acquires renewable

power operations such as wind, solar, and hydroelectric facilities. The other part of the business runs electric and water utilities. This combination provides a balanced revenue stream for income investors.

Algonquin Power has grown steadily over the past 30 years through a good combination of strategic acquisitions and internal development projects.

The company successfully raised roughly US\$1 billion earlier this year through the issue of Green Equity Units. The funds are being used to finance renewable energy initiatives.

Algonquin Power is progressing a five-year capital program worth US\$9.4 billion through 2025 that should drive steady revenue growth and cash flow.

The board raised the dividend by 10% in 2021 and another generous payout hike should be on the way next year, supported by revenue from completed projects and potential new acquisitions. The stock trades for close to \$18.75 per share at the time of writing and offers a 4.6% dividend yield.

Algonquin Power reported solid Q2 2021 results. Revenue rose by 54% to US\$527.5 million in the quarter compared to the same period last year. Adjusted EBITDA increased 39%, and adjusted net earnings jumped 93% to \$91.7 million.

The stock looks cheap right now given the strong capital plan and opportunities for new acquisitions. Investors could see annual double-digit dividend increases continue for the next few years.

The bottom line

TransAlta Renewables and Algonquin Power are attractive stocks for investors seeking reliable dividends that offer above-average yields. These are good picks for investors who want to boost their [ESG](#) exposure while collecting steady income that should continue to grow.

If you only buy one, I would probably make Algonquin Power the first choice today.

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1. Dividend Stocks
2. Investing

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