3 Dividend-Paying Recession-Proof Stocks to Buy in April

Description

It's quite evident that equity markets will remain volatile in the near term. There are several headwinds impacting the stock market that include the ongoing war between Russia and Ukraine, steep inflation numbers, the possibility of multiple interest rate hikes, rising commodity prices, and supply chain disruptions.

While growth stocks remain vulnerable in a turbulent market, investing in value stocks that derive consistent cash flows is a solid strategy. Let's take a look at three dividend-paying recession-proof stocks you can buy right now.

Emera

One of Canada's largest utility companies, **Emera** (TSX:EMA), is an energy and services entity, engaged in the generation, transmission, and distribution of electricity. It generates electricity through natural gas, hydro, wind, coal, solar, petroleum, and biomass-fueled power plants.

Emera reported an adjusted net income of $723 million in 2021 — an increase of 8.7% year over year. The company expects to spend $8.4 billion in capital expenditures between 2022 and 2024, which will expand its base of cash-generating assets. Emera expects its rate base to grow between 7% and 8% through 2024.

Emera offers investors a forward yield of 4.4% given its annual payout of $2.65 per share. Its quarterly dividend has grown to $0.6625 per share in 2022 from $0.5225 per share in 2017.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) shares rose by 21.8% in 2021. In the last 20 years, FTS stock has returned 13% annually to shareholders, making it one of the top investments on the TSX. Investors can continue to bet on the utility heavyweight as the company rolled out a $20 billion five-year capital plan through 2026, indicating annual investments of $4 billion.

The capital plan comprises regulated investments as well as low-risk projects that support rate base growth across utilities. These investments are targeted toward the entire delivery chain and Fortis aims to put close to $4 billion through 2026 towards clean energy investments.

The above plan should increase the rate base for Fortis to $42 billion in 2026, up from $31 billion in 2021, indicating an average annual rate base growth of 6%. Fortis is also optimistic about incremental opportunities in its transmission business due to a supportive policy environment.

Fortis offers investors a dividend yield of 3.5% and has increased these payouts for 48 consecutive years.

Algonquin Power & Utilities

The final stock on my list is **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), which has gained 428% in the last 10 years, after accounting for dividends. Algonquin offers investors a forward yield of 4.5% and generates two-thirds of cash flows from utilities and the rest from renewable energy.

In Q4 of 2021, AQN reported an adjusted EBITDA of $297.6 million — an increase of 18% year over year. The operating profit from its regulated business stood at $191.4 million, while the figure for renewable energy was $106.2 million.

Algonquin deployed $3.7 billion to ensure the safety and reliability of electric, water, and gas systems in 2021. It aims to spend $4.3 billion in capex in 2022, which suggests dividend increases should be on the cards.

Bottom line

An investment of $25,000 in each of the three blue-chip stocks will let you derive $3,225 in annual dividends.

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