



Top 3 Utility Stocks for Stability and Consistent Income

Description

Amid the current volatility, utility stocks can be a valuable addition to one's portfolio to diversify risk and generate consistent cash. The reason is that these corporations are known for generating predictable cash flows due to their rate-regulated businesses. Further, their low-risk business and high-quality earnings base support their payouts and make them less volatile.

Against this backdrop, let's delve deeper into four utility stocks that are relatively immune to the wild market swings and have the potential to consistently enhance shareholders' value through higher dividend payments.

Fortis

Speaking of [safe stocks to buy](#), **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) crops up first in my mind. Fortis's high-quality portfolio includes 10 regulated utility businesses that account for almost all of its earnings. Thanks to its conservative business mix and predictable cash flows, Fortis stock has consistently returned cash to its shareholders.

It's worth mentioning that Fortis has increased its dividend for 48 years, which highlights the strength of its cash flows. Moreover, it projects a 6% average annual dividend growth through 2025, which is positive.

Fortis expects its rate base to increase from \$31.1 billion in 2021 to \$41.6 billion in 2026. This will expand its high-quality earnings base and support future payouts. Moreover, its growing renewable power generation capacity and business investments bode well for growth. Fortis stock has performed better than the broader market averages this year and yields 3.3% at current price levels.

Canadian Utilities

Within the utility sector, one could consider buying the shares of **Canadian Utilities** ([TSX:CU](#)). With its history of 50 consecutive years of dividend growth, Canadian Utilities stock is one of the top

investments to generate cash irrespective of the volatility in the market.

Canadian Utilities's continued investments in the regulated and contracted assets drive its earnings base and position it well to enhance shareholders' value through dividend increases. Overall, its strong dividend-growth history, conservative business, continued rate base growth, energy transition opportunities, and new growth platforms will likely drive its future payouts. At current price levels, Canadian Utilities offers a yield of 4.4%.

Algonquin Power & Utilities

Like its peers, **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) operates a low-risk business and has a solid track record of dividend payments. Its rate-regulated assets and long-term contractual arrangements drive predictable cash flows that easily cover its payouts. Notably, Algonquin Power & Utilities raised its dividend for 11 years, while its dividend has grown at a CAGR of 10%.

Algonquin Power's solid capital program and strong investment pipeline position it well to deliver solid earnings and dividend growth in the future. The company projects its rate base to increase at a CAGR of nearly 15% through 2026, which is positive.

Thanks to its growing rate base and opportunities in the renewables segment, Algonquin Power expects its adjusted earnings to grow at a CAGR of 7-9% through 2026. This implies that its future dividend could grow at a similar pace. Further, Algonquin Power expects its target payout ratio of 80-90% to be sustainable in the long term. Currently, Algonquin Power stock offers a dividend yield of 5.1%.

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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