



3 Top Utility Stocks to Buy Amid Rising Volatility

Description

The global equity markets have turned volatile amid an inflationary environment and rising interest rates. With geopolitical tensions continuing to drive fuel and food prices, I expect volatility in the equity market to continue. So, given the challenging environment, it is prudent to invest in [defensive stocks](#) such as utility companies.

Although these companies offer lesser growth prospects, they stabilize your portfolios. Given their low-risk business models and stable cash flows, these companies are less susceptible to market fluctuations. So, if you are ready to invest in utility stocks, here are my three top picks.

Fortis

Given its impressive track record of dividend hikes, low-risk business model, and stable cash flows, I have selected **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) as my first pick. It operates 10 low-risk utility assets, meeting the natural gas and electric needs of 3.4 million North American customers. With 99% of its earnings generated from regulated assets, the company delivers stable cash flows, irrespective of the economic cycle. So, these steady financials have allowed the company to reward its shareholders by raising its dividend for the last 48 consecutive years.

With a quarterly dividend of \$0.535/share, Fortis's forward yield stands at a healthy 3.54%. Meanwhile, Fortis has committed to invest around \$20 billion through 2026, including \$3.8 billion in clean energy. These investments could expand the company's rate base at a CAGR of 6%, thus driving its financials. So, with the expectation of higher cash flows, Fortis's management announced increasing its dividend at an average growth rate of 6% through 2025.

Canadian Utilities

Second on my list is **Canadian Utilities** ([TSX:CU](#)), which is a diversified global energy infrastructure that operates three business segments: utilities, energy infrastructure, and retail energy. The company generates stable and reliable financials with its five utility assets generating a substantial percentage of

its earnings. So, supported by the robust cash flows, the company has raised its dividends for the last 50 years, the longest Canadian public company to do so. Meanwhile, it currently pays a dividend at a healthy yield of 4.64%.

The company continues to invest in expanding its regulated asset base. In the first quarter, it had made a capital investment of \$263 million, with 83% of it on regulated utility assets. The company is also developing a 37 megawatts solar PV power project in Calgary, Alberta. The company has already signed a 15-year power-purchase agreement with **Microsoft** to sell all the power generated from the project. So, given its stable cash flows, solid track record, and healthy growth prospects, I believe Canadian Utilities to strengthen your portfolio in this volatile environment.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) is a utility and renewable energy company with an asset base of \$16 billion. The company has signed long-term PPAs (power-purchase agreements) to sell the power generated from its renewable assets, thus stabilizing its financials. So, supported by its stable and predictable cash flows, the company has been raising its dividend for the last 12 years. With a quarterly dividend of \$0.2345/share, the company's forward yield stands at a juicy 5.35%.

Meanwhile, the company acquired New York American Water Company in January and is working on closing the Kentucky Power Company deal. It has committed to making a capital investment of US\$12.4 billion through 2026, which could expand its utility and renewable asset base. So, I believe the company is well equipped to continue rewarding its shareholders by raising its dividend.

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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