



2 Under-\$30 Stocks That Pay You Cash

Description

Having a passive-income stream adds stability to your financials. While there are multiple ways to start a passive-income stream, I prefer dividend-paying stocks. Investing in dividend-paying stocks is a simple and a cheaper way to generate regular cash. However, the difficult part is choosing the right stock.

Against this background, let's look at two reliable dividend stocks that will pay you cash, even in a weak economic environment. These stocks are trading under \$30, have solid future earnings potential, and their payouts are sustainable in the long run.

AltaGas

AltaGas ([TSX:ALA](#)) owns energy infrastructure and utility assets that are supported through long-term commercial contracts. Meanwhile, about 75% of AltaGas's adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is derived through assets with medium- to long-term contracts. Thanks to this high-quality asset base and contractual arrangement, AltaGas consistently enhances its shareholders' returns through regular dividend payments.

Its regulated utility assets generate predictable cash flows and cover dividend payments. Meanwhile, its midstream operations deliver strong growth and support the company's financials.

AltaGas expects to increase its dividend at a CAGR (compound annual growth rate) of 5-7% through 2026. AltaGas's guidance appears achievable given its continued rate base growth and momentum in the midstream business.

It expects the utilities rate base to increase at a CAGR of 8-10% through 2026. This will expand its earnings base and support cash flows. Meanwhile, its midstream business is expected to benefit from higher export volumes. AltaGas expects export volumes at an annualized rate of over 10% in the next five years.

With the ongoing momentum in its business, visibility over future earnings and dividend growth, and a

yield of 3.8%, AltaGas is a solid investment to generate regular cash.

Algonquin Power & Utilities

Thanks to its conservative utility business, **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) is a [low-volatility stock](#) that pays you cash amid all market conditions. For context, Algonquin Power has increased its dividend for 12 consecutive years. Meanwhile, Algonquin's dividend has grown at a CAGR of 10% during the same.

Notably, its rate-regulated assets and long-term contractual arrangements bode well for future dividend growth. Meanwhile, the company expects to expand its rate base further through a five-year capital plan. Algonquin Power expects its rate base to increase at a CAGR of 14.6% through 2026. Meanwhile, its earnings are projected to grow at a CAGR of 7-9%.

With the ongoing momentum in its base business, opportunities in the renewable segment, and strong balance sheet, Algonquin Power is well positioned to bolster its shareholders' returns. Further, its target payout ratio of 80-90% of its normalized earnings is sustainable in the long term. You can earn a reliable dividend yield of 5.3% by investing in Algonquin Power stock near the current levels.

Bottom line

AltaGas and Algonquin Power own high-quality regulated assets that expand their earnings base and generate predictable cash flows. Despite the challenging economic environment, these companies have reiterated their guidance and offer strong visibility of future dividend payments. Also, their payout ratios are safe and sustainable in the long term.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)

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