



Why Algonquin Power & Utilities Corp. Belongs in Your Portfolio

Description

Algonquin Power & Utilities Corp. ([TSX:AQN](#)) is a renewable energy company with assets across North America. The company has two primary subsidiaries: Algonquin Power Company and Liberty Utilities.

Algonquin Power Company is charged with power-generation functions, and Liberty Utilities is the utility. Between them, the company has an interest in over 35 clean-power facilities that produce approximately 1,050 MW of energy from hydro, solar, wind, and thermal facilities.

Here's a look at why the company should be a part of your portfolio.

Algonquin has growth prospects

The 35 renewable and clean energy facilities that Algonquin has an interest in or owns have an installed capacity of 1,050 MW, but the company has a myriad of projects underway that will add nearly 500 MW of additional generating capacity over the next two years from both wind- and solar-powered generating stations.

Late last year the company entered into an agreement with Renewable Energy Systems Americas Inc. to develop a 150 MW wind farm project in central Michigan. The deal cost approximately US\$303 million and spans a 20-year purchase agreement. Commercial operation for the facility should be online later this year with next year marking the first full year of operation.

Most of Algonquin's renewable energy facilities fall under some form of a power-purchase agreement, which provides a steady source of income for the company. This not only stabilizes the company in terms of revenues, but adds a defensive moat around the company in terms of the infrastructure that is already online and generating revenue.

On the utility side of the operation, Algonquin is acquiring **Empire District Electric Co.**, which should fuel revenue growth for years to come. The deal, which is expected to be completed by the end of the year, will cost Algonquin \$2.4 billion, but it will increase the customer base of the company by nearly 40% and the regulated rate base by 123%.

Algonquin has a great dividend and results to match

One of the most impressive aspects of Algonquin is the dividend. Algonquin currently pays out a quarterly dividend of \$0.13, which, at the current rate, gives the stock an impressive yield of 4.49%. Beyond the great yield, Algonquin has been paying out a dividend for 16 years and raising it ever year for the past five years by approximately 10% per year.

In the most recent quarter, Algonquin posted approximately \$260 million in revenue, coming in 0.4% higher than the same quarter last year. Adjusted net earnings from continuing operations came in 12.8% higher than the same quarter last year at \$39.7 million, or \$0.14 per share.

Electricity generation showed a 5.9% increase over the same quarter last year, coming in at 906.7 GWh. As additional facilities come online, this figure is expected to increase and be a source of additional revenues for the company.

In my opinion, investors looking for a company that will provide dividend income as well as growth over the long term should consider purchasing a position in Algonquin. Given the growing interest in renewable energy sources and the prospects the company has, there are few better options on the market in the energy sector.

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- 1. Energy Stocks
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- 1. Editor's Choice

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- 1. TSX:AQN (Algonquin Power & Utilities Corp.)

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