



The Most Exciting Utility Investment Opportunity Today

Description

Following **Fortis Inc.'s** ([TSX:FTS](#))([NYSE:FTS](#)) footsteps, **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) was listed on the New York Stock Exchange on Tuesday. And the excitement is far from over for shareholders and prospective investors.

Algonquin is a \$6.3 billion North American diversified utility. It pays a strong, juicy dividend and has great growth potential.

Exceptional growth

Algonquin recently announced its five-year plan to invest \$9.7 billion through 2021. This includes the US\$2.4 billion acquisition of **Empire District Electric Co**, which is expected to close in the first quarter of 2017.

Algonquin maintains an entrepreneurial spirit and sees the opportunity to replace Empire's coal generation to renewable and natural gas generation over time. The switch to cleaner energy should lower the cost for the 218,000 customers in the states of Missouri, Kansas, Oklahoma, and Arkansas.

Algonquin has about 1,300 MW of installed capacity after completing the 200 MW Odell Wind Project in Minnesota in August. It has another 500 MW of generation-development projects underway. The Empire acquisition will add about 1,400 MW of installed capacity.

Wind power 16-9

Exceptional dividend

At \$11 per share, Algonquin offers a juicy yield of 5.2%. This is thanks partially to its U.S. dollar-denominated dividend. It pays an eligible dividend that's more favourably taxed than your job's income if the shares are held in a non-registered account.

This year marks the sixth consecutive year of Algonquin's dividend growth. Since 2011, the company has grown its dividend per share at an average rate of 15%. Thanks partially to a strong U.S. dollar, it

started paying a U.S. dollar–denominated dividend in 2014.

That track record has allowed Algonquin to join the S&P Canadian Dividend Aristocrats Index, which only includes companies that have increased their dividends every year for at least five years.

Although Algonquin is a bigger company than it was when it started growing its dividend, the five-year growth plan supports a dividend per share growth of 10% per year, which is exceptional for a utility.

Specifically, management anticipates its funds from operations (FFO) per share to grow at a compound annual growth rate (CAGR) of 11-13% per year.

Conclusion

Algonquin just got listed on the New York Stock Exchange, which is another avenue for it to raise capital to grow the business.

Another piece of exciting news for shareholders is the anticipated closing of the Empire transaction in the first quarter, which will boost the utility's earnings, FFO, and regulated operations.

Additionally, the utility has a number of generation-development projects in its pipeline, which will add to growth.

These developments should propel its shares higher, and an annualized return of at least 15% is certainly possible, barring the occurrence of a market-wide crash.

Even if that doesn't happen, shareholders will receive a dividend that's growing at a CAGR of 10% per year through 2021.

CATEGORY

1. Dividend Stocks
2. Investing

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