



## Income Investors: Could Algonquin Power & Utilities Corp. Be the Stock You're Looking for?

### Description

**Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) is a fantastic stock that offers investors the best of both worlds: you get a huge 5.2% dividend yield and terrific capital gains that can be expected in the long run.

The company is a diversified North American utility that specializes in non-regulated generation assets and regulated distribution assets. The company has a terrific renewables portfolio and engages in hydroelectric, wind, thermal, and solar power facilities, and sustainable utility distribution.

If you're an income investor, is now the time to pick up shares? Can the impressive dividend keep growing?

Algonquin was firing on all cylinders last year with several key acquisitions that will help bolster the company's impressive portfolio of utility assets. The company has been growing its dividend by leaps and bounds in the years following the Great Recession. I believe the company's latest acquisitions will give the company room to provide investors with generous dividend increases over the course of the next few years.

The company recently beefed up its water-distribution business last year with a US\$327 million acquisition. The utility is owned and operated by three separate water utilities serving over 74,000 customers across California and Montana.

Algonquin also announced the acquisition of **Empire District Electric** for US\$2.4 billion. The management team expects the deal to close this year and will increase the company's distribution base by almost 40%. This is a huge deal that will fuel dividend increases for many years.

The stock currently trades at a 28.2 price-to-earnings multiple and a 12.2 price-to-cash flow multiple, both of which are lower than the company's five-year historical average multiples of 33.6 and 12.7, respectively. The dividend yield is also substantially higher at 5.2% than the historical average yield of 4.4%.

The stock definitely looks cheap, and the company is well positioned to increase its dividend by 10% or more each year for the next few years thanks to some fantastic acquisitions. Cash flow is expected to grow by up to 15% per year over the next few years, so a consistent dividend raise is pretty much guaranteed.

Algonquin will require time to adjust to the new acquisition, so don't expect any huge capital gains overnight. If you're a patient investor with a long-term time horizon, then you should buy shares of Algonquin on any signs of weakness.

## CATEGORY

1. Investing

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