



This High-Yield Growth Stock Just Went on Sale

Description

When it comes to high-yield stocks, on average, you won't get the capital appreciation that you would with a stock with a smaller yield. **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)), however, is one of the few stocks that can allow investors to enjoy the best of both worlds: an above-average dividend yield, and a great deal of capital appreciation over the long term.

Algonquin is truly a stock for investors of all ages, whether you're a retiree who needs a reliable stream of income or a millennial who's looking for next-level growth to amass a seven-figure TFSA before retirement. Not only does Algonquin have an incredibly stable revenue stream with rock-solid assets across North America, but it has the ability to hike this dividend by a generous amount on a consistent basis thanks to its promising growth pipeline.

A rare opportunity to nab a high-quality “defensive growth” stock at a bargain price

The stock currently trades at a 27.23 trailing price-to-earnings multiple, a 2.2 price-to-book multiple, a 2.7 price-to-sales multiple, and a 11.6 price-to-cash flow multiple. All of which are in line with the company's five-year historical average multiples of 32.8, 1.9, 2.6, and 11.9, respectively. The dividend yield, currently at 4.41% is also on par with historical averages, so based on traditional valuation metrics, you're getting a fair price for a business that I believe is worth a much higher multiple, especially when you consider the defensive growth nature of the business.

The stock is off to a tough start to 2018, plunging nearly 6% in the first week along with the broader renewable energy market. Many investors appear to be moving capital into high-flying tech names, creating a huge buying opportunity for investors looking for high-quality forever stocks at a discount.

Management has done a terrific job of growing by acquisition while returning a great deal back to shareholders. The Empire District Electric Company acquisition provides a foundation for further growth in the U.S. Mid-West with approximately 1,412 MW worth of installed capacity that is primarily located in the state of Missouri.

Given Algonquin's solid earnings-growth trajectory and its conservative payout ratio, shareholders can expect the dividend to grow by 10% per year. The company is showing no signs of slowing down, so I

don't think the stock will remain this depressed for too long.

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Date

2025/08/27

Date Created

2018/01/05

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