



## Power Up Your Portfolio With This High-Growth Utility

### Description

By looking at **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) stock's long-term chart, investors can tell it has been [an excellent long-term investment](#).

Since Algonquin was converted from an income trust to a corporation in 2009, the stock has delivered an annualized rate of return of +20%, which is outstanding for an investment in a utility. But it's not easy to invest in a small company before it has proven itself.

Even if you had only invested in Algonquin three years ago, the investment would still have delivered ~13.9% per year, which are market-beating returns.

The important thing is Algonquin has proven itself. And there's more growth coming.



### The business

Algonquin has come a long way. Since 2001 it has made numerous acquisitions to expand its portfolio. It is now a diversified North American utility with generation, transmission, and distribution assets.

It has rate-regulated operations, which deliver electricity, natural gas, and water to nearly 800,000 customers in 13 states in the United States. These utilities generate stable earnings, cash flow, and predictable returns.

Algonquin also has non-regulated generation facilities powered by hydroelectric, wind, solar, and natural gas sources. These assets have long-term agreements with an average length of 16 years. So, they should generate stable earnings and cash flow as well.

Algonquin's power-generation mix is about 78% wind, +9% hydro, +9% natural gas, and 3% solar. Some wind and solar projects are under construction, and they will increase the company's generation capacity when they go into service.

### **Dividend growth**

Algonquin has increased its dividend for seven consecutive years. Its five-year [dividend-growth](#) rate is about 9.6%. Based on its recent adjusted earnings per share, the company's payout ratio is under 86%.

Since most of Algonquin's business is in the United States, the company naturally pays a U.S. dollar-denominated dividend. Investors can opt to receive the dividend in the U.S. dollar or the Canadian dollar.

Algonquin expects to grow its adjusted earnings per share over time, which will allow the utility to continue growing its dividend, while improving its payout ratio.

The company believes its earnings and cash flow growth will allow it to support dividend growth of 10% per year through 2022.

### **What returns can you expect from an investment in Algonquin?**

The analyst consensus from **Thomson Reuters** has a 12-month target of \$15.20 per share on the stock, which represents about 14.6% of upside potential for the near term. Add in its nearly 4.4% yield, and the near-term total returns jump to almost 19%.

### **Investor takeaway**

The nearly 8% dip in Algonquin stock from its recent high is an opportunity to start scaling in this high-growth utility. At the recent quotation of \$13.26 per share, Algonquin offers a decent yield of almost 4.4%.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

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

## **PARTNER-FEEDS**

1. Msn
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