



## This High-Yield, Stable Growth Stock Is Attractive

### Description

Higher interest rates have triggered dips in [high-yield stocks](#). Higher interest rates will not only make interest-bearing investments more attractive, but will also make it more costly for companies to service their debt. That's why dividend stocks have lost some of their love from the market.

However, there's still a place for high-yield stocks with stable growth for most portfolios. If anything, they can serve as a stabilizer in turbulent times. Conservative investors should therefore find **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) a compelling idea.

### What's considered a high yield?

The Canadian market currently offers a yield of ~2.8%. (The U.S. market offers an even smaller yield of ~1.9%.) Thus, investors might consider a yield of +4.2% (+1.5 times that of 2.8%) high.

For example, Algonquin offers a high yield of ~4.7%. Given that it pays out ~40% of its cash flow as dividends, Algonquin's dividend should be safe.



### Stable growth

Algonquin has power-generation assets with long-term power purchase agreements. It also distributes natural gas, electricity, and water through its regulated utility operations in the U.S. Algonquin

generates altogether stable profitability.

Algonquin has recently expanded outside of North America via the formation of a joint venture with a Spain-based company, which will be focused on developing and constructing global clean energy and water infrastructure assets.

Simultaneously, Algonquin purchased a 25% interest in **Atlantica Yield plc** ([NASDAQ:AY](#)) from the company. Algonquin will get a dividend yield of +5% from the stake, which will be accretive to Algonquin's earnings and cash flow on a per-share basis. By 2022, Algonquin projects that it'll earn ~8% of its cash flow internationally.

Algonquin also has \$7.7 billion of capital program for the next five years, which will add to the company's stable growth. Thus far, Algonquin has increased its dividend for seven consecutive years with a five-year dividend growth rate of ~9.5%. Overall, management estimates that the utility will grow its earnings per share and its dividend per share at a rate of ~10% in the foreseeable future.

### Investor takeaway

Algonquin is a stable North American utility that offers a safe, growing dividend by generating long-term contracted and regulated cash flow. Its recent joint venture marked Algonquin's entrance into key global markets, which will add to Algonquin's growth opportunities and diversity.

Conservative value and income investors should find Algonquin attractive; the analysts' consensus target on the stock represents ~18% upside potential in the next 12 months, while the stock offers a ~4.7% yield for starters. Management also hinted that there will be a dividend hike soon.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

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

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