This Diversified Dividend Stock Is Down Over 10% Year to Date: Time to Load Up?

Description

Owning stock in diversified companies such as **ATCO Ltd.** (TSX:ACO.X) can be an important part of diversifying your portfolio.

Don't put all your eggs in one basket; diversification is crucial to the long-term success of any investment portfolio. Owning high-quality stocks from various sectors and geographical locations reduces volatility and enhances returns.

Companies, too, must diversify in order to create stable revenue streams that allow them to grow and prosper under various circumstances. It is far less risky to have many customers than only a few, just as it is good to offer a variety of products and services that can generate profits when certain parts of the economy are weak.

Consider **Aimia Inc.** (TSX:AIM), a company that based an enormous part of its business on its Aeroplan partnership with **Air Canada** (TSX:AC)(TSX:AC.B). Following Air Canada's decision part ways with Aimia come 2020, Aimia's share price plunged, and it has left investors with concerns about the future of the company.

By contrast, **ATCO Ltd.** (TSX:ACO.X) is a diverse construction and utilities company that operates across multiple segments. ATCO has seen its stock price erode nearly 14% year to date, despite there being no material changes to the solid foundations of its business, which is why it will be the diversified stock that we examine today.

What makes ATCO diversified?

Fundamentally, ATCO is holding company with a wide range of subsidiaries. Many Canadian investors will recognize **Canadian Utilities Ltd.** (TSX:CU), in which ATCO holds a 53% interest. ATCO owns and operates businesses involved in pipelines and liquids; power generation, transmission, and distribution; and structures and logistics.

Globally, ATCO has operations in Canada, the United States, Australia, Mexico, and Chile. Additionally, ATCO has provided defence support services and workforce accommodations in Europe and the Middle East to NATO, the UN, and other defence departments and organizations through its subsidiary ATCO Frontec Europe Ltd.

Valuation and dividends

ATCO currently trades at a price-to-earnings multiple of about 23.1 and a price-to-book ratio of roughly 1.3, comparing favourably relative to the industry, which trades at 33.2 and 1.6, respectively.

With respect to dividends, ATCO is the dream of every income investor. ATCO has increased its payout every single year since it began paying a dividend in 1993. Currently, the quarterly dividend sits at $0.3766, which equates to a yield of around 3.8%, close to a five-year high.

Conclusion

At its current price, ATCO presents exceptional value. The analyst's high price target, as set by TD Securities, is currently $46, which represents potential upside of over 17%. Investors looking for both stability and dividend growth need look no further than ATCO.

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2. TSX:ACO.X (ATCO Ltd.)
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Date
2025/07/20
Date Created
2018/05/29
Author
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