



Which Utility Heavyweight Is Better to Invest Your Money Into?

Description

Utility investments are often cited as being some of the best long-term investments for any portfolio, owing to their [stable and recurring source of revenue](#) as well as their tendency to have impressive dividends.

Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#)) and **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) are two examples of leading utilities that should be high up on any investor's wish list.

But which of the two is the better investment at this moment? Let's take a look at both.

The case for Fortis

Fortis is one of the 15 largest utilities on the continent, with operations in Canada, the U.S. and in several Caribbean countries. Unlike other typical utilities, Fortis has developed a particular skill over the years to identify and acquire increasingly larger peers in the market as a means to expand its footprint.

This factor helps Fortis dispel the common myths about utilities lacking any true growth or that utilities are all too happy to sit on their laurels and reap the steady stream of revenue.

The 2016 US\$11.3 billion acquisition of ITC Holdings was the largest acquisition yet for Fortis; it fostered growth on a number of fronts. ITC was, at the time, the largest independent transmission utility in the U.S., and its coverage was very complementary to Fortis's own, resulting in exposure to new U.S. state markets as well as setting up annual dividend growth of 6% or better through 2020.

Speaking of dividends, this is one area where Fortis really excels. The company is one of just a handful that has consistently provided annual increases to its dividends for well over four decades. That factor alone makes Fortis a perfect buy-and-forget investment.

Fortis's current quarterly dividend pays a very handsome yield of 4.03%, and the company is set to announce results for the second fiscal next week.

Another interesting point to consider is that despite strong long-term value, Fortis stock is down over 10% year to date, which makes the stock an appealing pick at current levels.

The case for Algonquin

Algonquin is another great utility investment that holds plenty of long-term promise for both [growth- and income-seeking investors](#).

The company is diversified into two subsidiaries — Liberty Power and Liberty Utilities.

One interesting point about Algonquin is the company's growing exposure to renewable energy. While many utilities still haven't warmed to the notion of producing renewable energy, Algonquin already has a sizable and growing portfolio of 35 renewable energy facilities that includes hydro, solar, thermal, and wind elements through its Liberty Power subsidiary.

The utility subsidiary provides water, gas, and electricity distribution to over 750,000 customers in 12 different U.S. states.

Algonquin offers investors a quarterly dividend that provides an appetizing 5.26% yield, which — as recently as this spring — was hiked by 10%. Even better is the fact that Algonquin plans to continue those double-digit hikes annually over the next five years.

The U.S. market is not the only avenue of expansion that Algonquin is pursuing. Late last year, the company announced plans to develop renewable energy facilities around the world through a partnership with Abengoa SA of Spain.

Which is the better investment?

Both Algonquin and Fortis offer a compelling case for investors that can provide income and growth prospects for the long term. In fact, a diversified portfolio that includes both of these utility heavyweights may not be a bad idea.

In terms of a preference between the two, however, I tend to lean more to Algonquin owing to its higher yield and stronger growth prospects that include expanding outside North America.

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