Buy and Forget: Algonquin Power & Utilities Corp. (TSX:AQN)

Description

If you could invest in a company that offered a great-paying dividend, strong growth prospects, and both a stable and recurring source of revenue, would you?

If the answer to that was a resounding *yes*, then **Algonquin Power & Utilities Corp.** (TSX:AQN)(NYSE:AQN) may just be the perfect investment for your portfolio.

Algonquin is a different type of utility

While the stereotypical image of a utility might be a large fossil-fuel burning facility, Algonquin is quite the opposite. The Oakville-based company has two subsidiaries, Liberty Power and Liberty Utilities.

Liberty Power is a renewable energy generator with over 35 gas, hydro, solar, thermal and wind facilities that collectively account for a capacity of 1,050 MW. Liberty Utilities, on the other hand, provides electricity, gas and water utility services. Together, both utilities provide a diversified combination of generation, transmission and distribution services to over 750,000 subscribers in 12 different states across the U.S.

The renewable energy mix that Algonquin offers is a key differentiator and advantage that the company has over its more traditional, fossil-fuel burning peers that have yet to fully embrace the renewable energy movement.

One of the things that I admire about Algonquin is how the company seeks out new acquisitions that continue to feed growth, and by extension, earnings. While that expansion has been predominately in the U.S., last fall saw the company turn toward the global market thanks to a joint venture with Abengoa SA of Spain. Through that venture, Algonquin plans to expand its portfolio of renewable energy assets around the globe.

Last year also saw Algonquin acquire Empire District Electric Co. in a US2.4 billion deal that has helped push Algonquin’s results to new levels.

Strong quarterly results

Algonquin announced results for the second quarter earlier this month, which reaffirmed the company as a great long-term investment option. During the most recent quarter, Algonquin reported revenues of US$366.2 million, reflecting an increase of 9% over the same quarter last year. Adjusted EBITDA, which came in at US$160.3 million for the quarter, also witnessed a 9% increase over the same period last year.

On an adjusted basis, the company earned US$50.9 million, or US$0.11 per share, which translated into a 29% and 22% year-over-year improvement, respectively.

Income-seeking investors will also take solace in knowing that Algonquin also provides a very attractive quarterly dividend that pays out an impressive 4.99% yield. If that were not reason enough for income-seeking investors jump onboard, then consider Algonquin's pledge to hike the dividend by 10% in each of the next few years.

Is Algonquin for you?

Algonquin is a great defensive investment that can provide a healthy income. While the stock has dropped 2% over the course of the past year and up 11% over the past two years, Algonquin is a great pick for investors that are seeking a stable income.

In short, buy it, stick it away in a TFSA and let it grow.

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