



This Utility Stock Could Be Even Better Than Fortis Inc (TSX:FTS)

Description

In turbulent markets, utility stocks can provide jittery investors with much-needed peace of mind. And today's market is nothing if not turbulent. Although the TSX was on the upswing last week, stock prices remain down from their 2018 highs. So, if you've been looking for an opportunity to load your portfolio up with safe investments, now would be a good time to buy utilities.

Speaking of utilities: **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is one that tends to get an inordinate amount of attention. A frequent mention on "top dividend stock" and "top utility stock" lists, it's a perennial favourite of low-risk investors. Although Fortis is not the largest utility in the country by revenue, it's second after Hydro Quebec (a government-owned corporation), so it's no surprise that it tends to steal the limelight.

But Fortis isn't the only game in town. There are many great TSX-listed utility stocks to choose from, and some of them actually outclass Fortis by some key metrics. In fact, there's one Ontario-based company that has it beaten on dividend yield and also some growth metrics. You may never have heard of it before, but it deserves to be a household name.

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#))

Algonquin serves power to customers in Ontario, Quebec, New York, and New Hampshire. It operates through two subsidiaries: Liberty Power and Liberty Utilities. It offers a full range of renewable power services, including hydro, wind, and solar, as well as natural gas. In Q3, the company earned \$164 million (adjusted EBITDA) on \$366 million in revenue.

Earnings growth

Algonquin's earnings vary widely from quarter to quarter, but in general, they tend to grow at a hotter pace than most utilities. In Q3, revenue was up 3.6% and adjusted EBITDA was up 4%. That may not seem like much, but in Q2, net earnings per share grew by 56% year over year. This is a typical pattern for Algonquin, which doesn't knock it out of the park every single quarter, but intermittently

posts very impressive results.

Solid income

Algonquin pays a quarterly dividend. In its most recent quarter, the rate was US\$0.128 (CAD\$0.16), which worked out to \$0.64 for the trailing 12-month period. This gives Algonquin a yield of about 4.9%, which is higher than Fortis's. In addition to the already high yield, Algonquin has been raising its dividend. Although it doesn't have quite the [45-year track record](#) that Fortis does, it does tend to up the payout a little every year. For example, in June of 2018, the company raised its dividend to US\$0.128 from US\$0.116 in the prior quarter.

Bottom line

Algonquin Power & Utilities offers a lot of income and the potential for future growth. The stock has had very strong earnings growth in some quarters, although results have been hit or miss overall. Its growth bests Fortis's, which suffered a rough 2018 owing to tax changes and [losses on Aitken Creek derivatives](#). However, Algonquin's history of dividend increases is not as long as Fortis's. Each stock has its strengths and weaknesses, and either one of them would be a worthy pick for an income-oriented investor.

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1. Dividend Stocks
2. Investing

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