



## Banking on Clean Energy With This Forever Stock

### Description

There's a lot to appreciate in a company that can balance steady cash flow with aggressive growth investments. An ambitious long-term growth strategy fueled by cash generated organically is a recipe for wealth creation. Oakville, Ontario-based **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) fits that description of a wealth-generating powerhouse perfectly.

The company already has a solid base of power generation, natural gas, and water utility assets spread across North America. Its services reach an estimated three-quarters of a million customers every day. The lucrative margins and steady cash flows would have been enough to make this a compelling investment opportunity.

However, Algonquin's management has one eye firmly fixed on the future. Cash is being deployed into renewable energy projects across the continent. The company has already invested heavily in clean energy power plants, focusing on wind power assets. It also plans to spend US\$1.7 billion in seven new power plants and nearly US\$6 billion in growth projects over the long term.

An example of the firm's growth strategy is its recent acquisition of a [power operator in Bermuda](#). Algonquin spent US\$365 million acquiring the firm in an effort to gain a foothold on the island.

Like other island nations with similar population density, Bermuda faces relatively high costs of energy and a lack of critical infrastructure. This makes the prospect of cheap and reliable renewable energy produced locally more appealing. The government of Bermuda has been pushing for more green energy projects in the region.

That makes Algonquin's move particularly well timed. The company it acquired — Ascendant Group — owns Bermuda Electric Light and serves over 63,000 businesses and residents across the island. According to management, the buyout "will be immediately accretive to earnings."

The acquisition is also a sign that the company is taking steps to expand internationally. Investors can expect similar acquisitions in the near future, as the company broadens its footprint.

To fund this expansion, Algonquin has \$85 million in cash and generated roughly \$200 million in net profit on \$1.63 billion in annual revenue last year. The profitability and stability of its operations allows the company to fund acquisitions through debt while paying investors a lucrative dividend.

At its current market price, the stock offers a 4.8% dividend yield. That makes it one of the most lucrative dividend stocks on the Canadian market. Besides income, Algonquin also offers investors a fair valuation and a robust balance sheet.

At \$3.7 billion, the debt burden may seem too high, but it is only 91% of the book value of the company's equity. Meanwhile, the stock trades at a forward price-to-earnings ratio of just 23.4, which I think is reasonable considering the company's track record and prospects for growth.

## Bottom line

Renewable energy and clean power investments deserve a spot on everyone's portfolio. The growing demand for solutions to climate change will help this industry expand into trillions of dollars in annual revenue over time.

Well-balanced companies with robust balance sheets focused on this sector are rare. That's what makes Algonquin a particularly noteworthy investment opportunity. It easily fits the description of a "forever stock."

### 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.)

### PARTNER-FEEDS

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**Author**

vraisinghani

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