



TFSA Investor Alert: Buy This 1 Growth-Oriented Utility Stock and Retire With \$1 Million

Description

I know there are a lot of foolish readers in their forties or fifties who have done their best to scrape together \$100,000 in savings for their retirement. While that's a monumental achievement on many levels, the problem is that it's not a lot to retire on, which is a big worry.

Fear not, however, because there are many fantastic long-term investments in Canada that can take that \$100,000 and convert it into a million-dollar retirement.

A stock that fits that bill perfectly is **Algonquin Power & Utilities** (TSX:APQ), one of the fastest-growing renewable energy and regulated utility company with assets across North America.

The company acquires and operates green and clean energy assets including hydroelectric, wind, thermal, and solar power facilities, as well as sustainable utility businesses for the distribution of water, electricity and natural gas.

Algonquin has achieved an industry-leading annual total shareholder return of about 26% over the last 10 years, which means that \$100,000 invested in the company in 2009 would have been a cool million dollars by now. The big question is whether this level of growth can be sustained over the next decade.

My response to that is an emphatic "absolutely." Now sit back and let me tell you how I anticipate the next decade of this company to unfold.

Monster US\$7.5 billion capital investment plan

What I like best about Algonquin is that it has big, bold ambition and its five-year capital plan worth US\$7.5 billion is significantly greater than the current asset base of US\$6.0 billion. This represents a more than doubling of its size. I don't know too many companies — let alone defensive-minded utilities — that can speak of this kind of ambition.

Now you might ask how the company intends to pay for all this growth. Nervous investors will

automatically think that they are about to get whacked with a truck-load of equity financing that is dilutive to them. But there's no need to fear.

Equity financing represents a very small portion of the financing program, which will mostly paid for through the free cash flow the company generates from current operations.

Now, this little nugget of wisdom is massive for smart investors. Using free cash flow to fund growth means a company better be able to, first of all, generate excess cash after all obligations. Second, the company must feel confident in its ability to continue to generate free cash flow sustainably for a number of years.

Algonquin doesn't seem to have any problems telling investors that's very comfortable with its cash profile, which should give investors a great deal of comfort.

What's also important about the company's financing program is that it's cheap, because the company can minimize debt or equity financing, which aren't costly avenues of capital. I've spoken about the importance of prudent financing in the case of another great [clean energy powerhouse, Northland Power](#).

Significant exposure to the U.S.

I'm a big fan of smart diversification and Algonquin is a play on currencies in addition to a long-term bet on the clean power sector. Algonquin generates the majority of its cash flow from its U.S. based customers, which means the company is a natural hedge against a declining or soft Canadian dollar.

This adds a nice layer of protection to smartly constructed portfolios, especially in turbulent economic times when Canada's over-reliance on the resource sector can lead to currency volatility.

Most of the company's big projects are U.S. based, with a great example being the 202 megawatt Sugar Creek wind-based renewable energy project in Illinois.

This project is a fantastic investment because it is at an advanced stage, meaning there is less execution risk because a lot of the hard structural work has already been completed. What's more, the project already has a 15-year contract in place with the Illinois power agency.

Foolish last word

Regular readers of mine know that I am a big fan of long-term investments [that can withstand the test of time](#). I strongly believe that Algonquin will continue to be one of the best clean energy producers and operators in North America and smart shareholders who accumulate shares regularly will have a great opportunity to retire as millionaires.

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