



This Utility Should Be a Core Holding for Every Investor's Portfolio

Description

Building an ample source of income for retirement should be a core strategy for every single investor. Unfortunately, selecting the right investments to add to your portfolio to meet that goal can be challenging at times.

This is where investing in a stock such as **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) can really be advantageous to your long-term portfolio plans.

Meet Algonquin Power: The best utility you've never heard of

In case you didn't already realize it, Algonquin is a utility, which operates under two core segments.

Liberty Power is the renewable energy arm of the company, with a growing portfolio of 35 renewable energy facilities. Those facilities are scattered across Canada and the U.S. and are also diversified across wind, solar, hydro, and thermal elements.

Liberty Utilities is the other subsidiary of Algonquin. Liberty Utilities provides gas, electric and water utility services to over 750,000 customers in a dozen states across the U.S.

Utilities are intriguing investments. Despite the stereotype of being boring investment options, utilities offer stable growth and handsome income-earning potential. That stability is thanks to the regulated nature of the utility business model. In short, utilities have long-term contracts in place to provide their services to the communities they serve in exchange for a steady and recurring stream of revenue.

Those regulated agreements comprise the bulk of revenue for Algonquin and place the stock high on the defensive investor's shopping list.

Algonquin announced results for the third quarter of fiscal 2019 last month. In that quarter, the company earned US\$69.2 million, or US\$0.14 net income on an adjusted basis, reflecting a whopping 39% increase over the same period last year.

Adjusted EBITDA for the quarter came in at an impressive US\$186.9 million, registering a solid 13% gain over the US\$165.5 million reported in the same quarter last year.

Here's why investors should be taking Algonquin seriously

One of the key reasons why Algonquin is such an incredible investment option has to do with the recent growth and plans for the future.

Utilities often gain a reputation as being boring investments that lack any growth prospects. Part of the reason for that is the stable business model that I mentioned earlier, which offers a handsome dividend (more on that in a moment).

Algonquin breaks that stereotype. The company is aggressively expanding, both through investing in growth projects as well as acquiring smaller players in the market to strengthen the company's position as a whole. By way of example, over the past five-month period, Algonquin announced the development of a new 490 MW wind project venture known as Maverick Creek and completed two major acquisitions.

The Maverick Creek facility is a joint venture which just began construction and is set to come online and begin contributing to Algonquin's bottom line towards the end of fiscal 2020.

Turning to the two recent acquisitions, Algonquin purchased New Brunswick Gas, a regulated utility serving 12,000 customers across 12 different communities in October of this year for \$339 million. The company then acquired the St. Lawrence Gas Company in a deal worth US\$61.8 million in November. St. Lawrence Gas serves 17,000 customers in New York through a 1,100 km natural gas distribution pipeline.

Over the next five-year period, Algonquin expects to realize additional growth opportunities valued near \$6.7 billion. If that isn't reason enough to consider Algonquin as a long-term holding, then let me offer one final noteworthy addition to investors still on the fence: Algonquin's quarterly [dividend](#). Algonquin currently offers a respectable 3.98% yield, which has seen a slew of steady attractive hikes stemming back a decade that have averaged out to nearly 10% annually.

In my opinion, Algonquin remains a [top pick](#) for nearly any defensive-minded investor. Buy it, hold it, and get rich.

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