



This Income-Growth Stock Is the Best Buy of 2020

Description

There have been a few dominant themes in the markets over the past year that continue to grow and get stronger.

The first and most noticeable theme is that investors are fearful of a potential recession and market crash on the horizon, which has forced many investors to look for whatever defensive stocks they can add to their holdings to improve the sustainability of portfolios.

This has led to many utilities and other defensive sectors to become some of the most sought-after stocks on the market.

It has also incentivized investors to find high-quality, income-generating stocks, as dividend payers have historically been one of the better-performing categories of stocks during recessionary periods.

The other main trend has been the major growth in renewable energy, which only grows by the day, as more countries and more businesses look to use clean energy and invest in the future of our planet.

One stock you can buy today that's a perfect fit for all of the above is **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)).

Defence

As I mentioned earlier, investors are looking for exposure to as many defensive industries and companies as possible, without overpaying for them.

One of the top defensive industries is the utilities industry because the majority of, if not all, the earnings are regulated, and the services that utility companies provide are staples in the economy.

Algonquin has a significant utilities business that serves more than 800,000 customers across 12 states in America. It operates as Liberty Utilities and provides services such as water distribution and wastewater treatment, electricity distribution, as well as natural gas distribution.

The utilities business is well diversified among the three main services it provides and makes up roughly 65% of Algonquin's total business.

Renewable energy

[Renewable energy](#) continues to be one of the major topics around the globe, especially when the discussion is surrounding climate change.

There is a lot of interest and acknowledgement of the need to generate more energy from renewable sources, which is positive and creates huge growth opportunities for investors.

The world could always use more renewable energy, so by investing in companies that generate green energy, you know you are investing in an industry that will grow for years to come.

Algonquin's renewable portfolio is run through its Liberty Power subsidiary and has been acquiring a number of high-quality renewable assets. The company now has a direct or indirect interest in more than 53 clean energy facilities, which include wind, solar, hydroelectric, and thermal.

In total, it has roughly 2.2 gigawatts of generating capacity with 93% of its capacity linked to long-term power-purchase contracts.

Income generating

On top of both the defensive and stable cash flows it offers from its utilities business, and the growth opportunities the company has from its renewable energy portfolio, the company also pays a significant dividend that yields more than 4% today.

The dividend has a payout ratio of just 75%, and on top of the stability it has through its sustainable payout ratio, it also has predictable cash flow.

The strong operations and stable cash flows have allowed Algonquin to continuously grow its dividend, which has made it one of the best companies on the Canadian Dividend Aristocrats list, especially for growth in the income.

Since 2009, the company has increased its dividend per share at a compounded annual growth rate of 10%, which is extremely strong, and there is no reason why it can't continue to do this for the foreseeable future.

Bottom line

You can buy a renewable stock and a defensive stock, or you can buy Algonquin — a company that

offers investors both and is extremely well run.

Its growth potential in its renewable business coupled with its strong and stable utility business that allows it to continuously grow its dividend make it highly attractive and a company that can help grow your wealth for decades to come.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
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