Forget Fortis (TSX:FTS): Invest in This 1 High-Yield Dividend Stock Instead

Description

Fortis has been the go-to income growth stock for investors with a low risk tolerance. With an impressive record of dividend increases for nearly the past 45 years and a total return of nearly 1,429% in the past two decades, one can easily see why the stock is so popular with investors.

However, for your 2020 portfolio, consider investing your money in **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) instead. The company offers its investors an even nicer yield rate and, if its past performance and market trends are any indicators, is poised for some considerable gains, potentially presenting a significant upside for its investors over the long term.

A top-tier Dividend Aristocrat

Algonquin is a renewable energy and utility company that has 35 power-generating facilities in America and serves roughly 80,000 customers across the country. Driven by greater demand for green energy, the company has grown rapidly in recent years, with its stock rising in value from $3.42 at the start of 2009 to $19.82 at the time of writing this.

In terms of profit, the company saw a year-by-year increase, nearly tripling from $267.8 million in FY 2015 to $690.8 million to FY 2018. Thanks to this rapid growth, the company has comfortably managed to hike its yield to a current rate of 3.8%, nearly a 100% increase from the 2015 rate. At a 68% payout ratio, the figure is quite sustainable.

Sustainable growth

While both its dividend rate and decent stock appreciation make it a tempting stock, the company's sustainability is the cherry on top that makes it a must-buy for defensive players. Energy and utility companies, being providers of essential goods, aren't as vulnerable to ups and downs in the market.

Furthermore, as the company generates most of its power from renewable sources like wind turbines, the resource it needs is free; unlike traditional energy companies, which are greatly affected by volatility in fuel prices.

Renewable energy is one of the fastest-growing energy sources in the United States. The forecast shows that American consumption of renewable energy is expected to grow over the next three decades at an average annual rate six times higher than the overall growth rate in energy consumption.

This leaves lots of room for expansion and growth for renewable companies like Algonquin, which is already pursuing an aggressive growth policy. As of now, the company has an extensive pipeline of projects under development, which includes the construction of renewable energy assets billion and wind turbines in the Midwest.

The finished pipeline will have a total installed capacity of 1.200 MW, allowing it to easily meet the rapidly growing demands and see a significant boost in its customer base and earnings.

Summary

The renewable energy sector is primed for rapid growth in the decades ahead, so capitalizing on high-performing renewable energy companies like Algonquin would be a prudent decision for any investor looking to lock in a nice passive earning without much risk.

With a forward P/E of 19, at the current share prices and dividend rate, buying the stock right now looks like a fair deal.

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