



Get a 5% Yield From This Green Utility Stock

Description

When it comes to earning safe dividends, one of the first sectors that investors think of is utilities. After all, utilities provide needed products and services no matter what the economy is doing.

That's why utility stocks are a key component of many investors' long-term portfolios. These stocks are generally generous with their dividends.

One utility that has been making the world a cleaner and greener place while providing nice dividends is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) stock.

What's this utility's business?

Through acquisitions and development projects, the utility has grown its assets from about US\$6 billion in 2016 to about US\$11 billion.

First, Algonquin has regulated utility businesses with 40 utilities, across 13 states in the U.S. and one Canadian province, which serve natural gas, electricity, and water to about 804,000 customers.

This segment provides stable and predictable earnings due to its regulated nature. It could be this year or next in which Algonquin will reach one million customers!

Second, Algonquin has a renewable and clean power portfolio that has 2.2 GW of generating capacity. The portfolio consists of 48% wind, 30% in indirectly owned wind and solar, and 8% each in hydro, thermal, and solar.

Its power portfolio is not regulated. However, about 93% of the generation is under power-purchase agreements with inflation escalations. The agreements are on average about 15 years. So, this business is also stable and predictable.

The utility stock dividend

Algonquin has increased its dividend for about nine consecutive years. Over the last three years, the utility stock increased its dividend per share at a compound annual growth rate of 10%. Meanwhile, it managed to improve its payout ratio to about 87% of earnings.

Currently, AQN stock offers a yield of 4.8%, which is getting attractive.

Algonquin stock has much growth ahead

There's [much growth ahead](#) for Algonquin.

First, it's acquiring two regulated utilities worth, in aggregate, of US\$973 million. One generates, transmits, and distributes electricity to 63,000 customers in Bermuda. The other is a water and wastewater utility that serves 125,000 customers in the state of New York.

Second, it just finished acquiring two regulated gas utilities in New Brunswick and New York that added a total of 29,000 customers.

Third, Algonquin is developing three wind farms that can generate up to 600 MW of energy. Two are under construction.

Finally, Algonquin also has a five-year capital spending program of US\$9.2 billion across its businesses.

Valuation

The stock market crash has so far evaporated about 29% of the wealth in the Canadian market. AQN stock, in comparison, has fallen almost 26%.

At \$16.31 per share at writing, Algonquin trades at about 18.1 times earnings, while analysts estimate that it will grow its earnings per share by about 7.8% per year over the next three to five years. This is a decent valuation.

The Foolish bottom line

Green energy and power are the present and the future. Right now, investors can invest in green utility Algonquin stock at a decent valuation for a nice dividend yield of close to 5%.

The utility still has lots of room to grow, as demonstrated by the size of its five-year capital program that's nearly the size of its total enterprise value.

The current bear market may just give you even cheaper prices in the coming weeks. In the meantime, do your due diligence and decide if AQN stock fits as a supporting utility for your [core utility stock](#) holdings like **Fortis** stock.

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