



Why COVID-19 Can't Stop This Essential Services Company

Description

When [I wrote about Atco](#) (TSX:ACO) on November 11, 2019, the stock was trading at just under \$50. The company had a bunch of projects that were underway, and the future looked good. Obviously, the world has changed a lot in the last four-and-a-half months, and Atco stock has taken a pounding on the index (what stock hasn't?) and is now down around 20%, trading at \$39.5.

Atco is a diversified global holding corporation with investments in structures & logistics (workforce housing, innovative modular facilities, etc.), energy infrastructure (electricity transmission, distribution & generation, natural gas transmission & distribution, energy storage & industrial water solutions, and electricity & natural gas retail sales), transportation (ports and transportation logistics), and commercial real estate.

While some aspects of Atco, like commercial real estate, might get hit because of COVID-19, the company's electric and natural gas services around the world haven't stopped. Atco is an essential services company, and millions of customers depend on it for their needs.

"The things we do are essential to life here in the North of 60 — delivering fuel to power an extensive telecommunications network or distributing electricity to residential customers in the Yukon and Northwest territories — and our work continues in spite of the pandemic," says John King, who oversees Atco's NorthwesTel telecommunications contract. There is little room for error with COVID-19 protocols in place.

Globally diversified operations

The company is also delivering electricity and natural gas to over a million customers in Alberta. Atco also ensures that its Australian customers can rely on the safety of its gas network and power stations, while providing customers and communities with the modular structures they need — especially on the heels of wildfires that have devastated parts of the country.

Atco has also increased its dividend payout every year for the last 27 years. I ran a quick check for the returns investors would have made in the last decade. In 2010, Atco's annual dividend payout was

\$0.5. It is \$1.74 now. That's a compounded annual growth rate of 13.28% in a decade. If an investor had invested \$10,000 on Jan. 1, 2010, in Atco, their dividend payout would have been almost \$5,000 today. That's an impressive number by any standard.

The company reported its numbers for 2019 and announced adjusted earnings in 2019 of \$365 million compared to \$355 million in 2018. 2019 was Atco's first full year of ownership in Neltume Ports. Neltume recorded adjusted earnings of \$15 million in 2019 — \$11 million higher than in 2018.

Neltume completed another acquisition in 2019. In February of last year, it acquired an additional 15% ownership in the Terminal Puerto de Arica Port, bringing the total ownership to 50%. This acquisition gave Neltume operational control of the port. In January 2020, Neltume entered a 50/50 joint venture partnership with Terminal Zarate to build and operate a roll-on, roll-off automobile terminal in Mobile, Alabama. This port is in construction now and is expected to be in operation in 2021.

Analysts have given Atco a target of \$50 in the next 12 months. Once the world figures out a way to beat COVID-19, Atco should zoom up to the target. You should closely watch this company for the next month.

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Date

2025/08/12

Date Created

2020/04/01

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