
1 Under-the-Radar Stock That's a Market Crash Hero

### Description

The impact of COVID-19 is so nasty that it's impossible to find a suitable investment. More so, a stock that could buck the downtrend and outperform the market at this time is hard to find. But a utility company might be the exception.



**Algonquin Power** (TSX:AQN)(NYSE:AQN) was not spared from the market selloff given the erratic price movement in the last quarter. Still, the strength of the company to weather the worst market crash ever is showing.

As of April 9, 2020, this utility stock is trading at $19.60 per share at writing. The year-to-date gain is 5.38% and only a select group of stocks can boast of gains in the pandemic. Historically, utility stocks are must-own if you want a defensive portfolio. Since the business model is low risk, the returns are steady during periods of economic weakness.

## Strong growth prospects

Aside from its defensive nature, Algonquin possesses growth attributes that are beyond the traditional. The growth prospects of this company are real, whether in a rising or declining market. This utility stock also suits well with long-term investors.

Market analysts are raving about the 18.1% historical earnings per share (EPS) growth of Algonquin. The double-digit earnings growth indicates that profits are surging. Thus, this utility stock is also an attractive investment for growth investors.

This year, the projected EPS growth should be better than the projected industry average EPS growth of 3.5%. The revenue and earnings growth estimates in 2020 should improve versus 2019 by 12.43% and 6.35%, respectively.

## Cash flow growth

Another reason why risk-averse investors should consider Algonquin as an alternative investment is its cash flow growth. The lifeblood of this $10.3 billion renewable energy and regulated utility conglomerate is the cash flow.

The company is not dependent on external funds to pursue business expansion, as its internally generated fund is sufficient. The 5.7% year-over-year cash flow growth is higher than the industry average of 3.7%. Similarly, Algonquin's debt-to-capital ratio of 47.82% is better than the industry's 51.32%.

A convincing factor to include Algonquin in your portfolio is its annualized cash flow growth rate. Over the last three to five years, the industry average was only 5.5% as compared to 29.3% of this utility company.

## Growth catalysts

There's no question as to the investment viability of Algonquin because it has three growth catalysts. The company maintains a healthy balance sheet, its utility footprint is expanding, and it has a long-term capital expenditure program is in place.



The regulated and non-regulated generation, distribution, and transmission utility assets it owns and operates are in Canada and the United States. While the company will continue to make money and grow profits, the coronavirus outbreak will cause a temporary drag in cash flows.

As an operator of critical utility assets, the pressure on Algonquin is to make sure it can continue operating to provide essential services during the present crisis. There will also be payment extensions to customers or end-users because of financial dislocation.

Algonquin is glowing and displaying strength despite the damage inflicted by COVID-19 on the market. However, if you can stomach the risk, invest in this stock. Otherwise, it's best to stay put and do nothing.

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