Canadians: A TSX Stock to Buy and Hold for the Next 20 Years

Description

For my long-term investments, I would look for stocks with stable earnings and consistently growing dividends. The stocks that can weather economic downturns will most likely outperform in the long term. I think **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is one such top TSX stock investors can consider for the long term.

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TSX stock: A safe bet for long-term investors

Algonquin Power is a $10 billion regulated utility and renewables company that operates in North America. It serves approximately 801,000 customers with electricity, natural gas, and water. It also has a non-regulated renewables generation portfolio of 2.2 gigawatts that delivers attractive returns and has strong growth potential.

The company generates a major chunk of its earnings from regulated operations, which enable earnings stability and predictability. This makes the stock a safe bet and an apt pick for long-term investors.

Utility stocks are generally known as widow-and-orphan stocks due to their slow stock movements and steady dividends. However, investors should note that they can generate significant returns over the years, which can outperform growth stocks.

How it differentiates itself from peers

Many investors would argue that top TSX utility stocks such as **Fortis** or **Canadian Utilities** would be more attractive. No wonder investors would feel more comfortable with these two considering their long dividend streaks and consistent record. However, there are several factors where Algonquin stock stands tall among these two TSX giants.

Utilities generally grow very slow. However, Algonquin has reported stellar earnings growth in the last few years, notably beating the industry average. That’s why Algonquin exhibited much steeper rally compared to peers Fortis and Canadian Utilities recently.

An investment of $10,000 in Algonquin in five years with dividends reinvested would have turned approximately $27,000 today. The same in Fortis or Canadian Utilities would have accumulated $18,000 and $12,000, respectively.

Algonquin management expects its EBITDA to increase by 15% compounded annually through 2024. That’s notably higher against the industry average, and thus one can expect AQN stock to continue to outperform going forward.

Let’s take a look at Algonquin’s dividend profile now. It offers a dividend yield of 4.2%, higher than Fortis’s 3.5% and lower than CU’s 5.2%. It also has a shorter payout history compared to these two utility giants. However, I believe AQN will also continue to pay consistently growing dividends in the coming decades mainly due to its strong earnings and non-cyclical nature of its business.

A top TSX dividend stock

Since 2009, Algonquin has increased dividends by 10% compounded annually, which is higher than peers. It plans to increase dividends by 10% per year for the next few years, which is, again, higher than peers.

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In the last 12 months, TSX stock Algonquin Power has soared around 27%, while Fortis and Canadian Utilities have changed 11% and -5%.

Algonquin exhibited much faster recovery in the COVID-19 market crash, recently gaining around 41% in just a month.

I think Algonquin’s superior earnings growth could continue to drive the stock higher. Its healthy combination of regulated utilities and non-regulated renewables operations offers it a strong growth potential and earnings diversification.

Algonquin’s stable dividend profile along with robust capital gain prospects make it an attractive pick for long-term investors.

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