



## 1 Top TSX Defensive Stock to Own in a Recession

### Description

Defensive stocks are reliable bets during downturns. And as these stocks generally pay dividends, they remain attractive for value and income investors.

I've been following **Algonquin Power and Utilities Corp** ([TSX:AQN](#))([NYSE:AQN](#)) since September 2019. I had [recommended investors](#) to watch this stock on September 25, saying that a recession was around the bend, and Algonquin needs to be a part of your portfolio.

Well, the slowdown is here and Algonquin is holding strong. It reached a high of just over \$22 and then fell to \$13.93 levels during the panic of March 2020 before closing at \$19 last week.

Algonquin operates electric, water, and gas utility systems across North America. It has over 70 power generation facilities (electricity and natural gas) and utilities (water) in Canada and the United States servicing over 800,000 customers. Pandemic or no, it is an essential service and has to function uninterrupted for 365 days a year.

The company [released its results](#) for the first quarter of 2020 and I reiterate my recommendation. Algonquin is a must-have in your portfolio. It reported revenues of \$464.9 million, a decrease of 3%. Adjusted EBITDA came in at \$242.2 million, an increase of 5%, and net earnings were \$103.3 million, an increase of 10%.

Its renewable energy group delivered excellent results in this period, with \$87.2 million of operating profit compared to \$83.1 million in the prior-year quarter.

### How does the rest of 2020 look like?

Algonquin had stated its plans to invest \$9.2 billion from between 2019 and 2024 as part of its development pipeline. It allocated \$6.7 billion for its regulated services group and \$2.5 billion for its renewable energy group. While the company maintains this outlook, it's likely going to defer between \$100 million-\$300 million from its capex expenditure for 2020.

Aggregate capex spend is expected to be between \$1.30 billion to \$1.75 billion, which is lower than its earlier capex estimate between \$1.60 billion to \$1.85 billion.

The company is shoring up its finances as well. At the start of 2020, it had \$1.5 billion of available credit lines and liquidity of just over \$1 billion. It has now secured an additional \$1.6 billion in credit that will enable it to carry out its capex plan. Algonquin has also revised its adjusted net earnings per share guidance down to \$0.65-\$0.7 from \$0.68 – \$0.70.

Algonquin's three wind projects for the customer savings plan in the Midwest are on schedule as is the construction for the Sugar Creek project. There are some delays expected in its Maverick Creek project in Texas due to delays in deliveries of components thanks to overseas manufacturing shutdowns and supply chain disruptions. This is expected to push delivery of 16 of the 127 total wind turbines into early 2021.

The company also approved an increase of 10% for its second-quarter dividend payable on July 15 this year. This is the tenth consecutive year of dividend increase for Algonquin and just underlines the resiliency of the business, bringing Algonquin's forward yield to a solid 4.63%. Not a bad investment during a pandemic.

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1. Coronavirus
2. Dividend Stocks
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2. TSX:AQN (Algonquin Power & Utilities Corp.)

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