This Safe Utility Stock Has Immense Growth Potential

Description

The COVID-19 pandemic is the ultimate example of why investors need to diversify. Businesses once deemed as *safe* investments as recently as last month are now questionable investments at best. Fortunately, not all stocks have been subject to that volatility.

Utility stocks such as **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) remain excellent long-term and safe holdings despite recent volatility.

What makes Algonquin a safe utility stock?

Utility stocks offer investors a steady and recurring revenue stream. The essential service provided by utilities are backed up by long-term regulated contracts. Those contracts, which can last a decade or more in duration, set out an agreed-upon rate paid to the utility for providing service.

In the case of Algonquin, the company is well diversified across two segments. Liberty Utilities provides water, electric, and gas utility service to over 750,000 customers in a dozen U.S. states. The other segment, Liberty Power is Algonquin's power generation business.

Liberty Power boasts a renewable energy portfolio of over 30 facilities in the U.S. and Canada. Those facilities are also diversified across a variety of elements. Liberty Power has hydro, solar, wind, and thermal facilities. Renewable power facilities adhere to that same lucrative long-term contract model of its fossil-fuel burning peers.

In short, Algonquin is a well-diversified safe investment to consider — and that's without talking about the company's attractive dividend, results, and growth prospects.

Results, growth, and income — want more?

Like most utilities, Algonquin operates a stable business model that makes it a safe option to consider, even in this volatile market. Algonquin announced results for the first fiscal of 2020 earlier this month.

During that quarter, Algonquin reported an adjusted EBITDA of US$242.2 million, reflecting a 5% increase over the same period last year.

Adjusted net earnings in the quarter came in at an impressive US$103.3 million, reflecting an impressive 10% bump over the same period last year.

Turning to growth opportunities, Algonquin has highlighted US$9.2 billion in investments over the next four-year period. Of that investment, a whopping US$2.5 billion is targeted for renewable energy projects, such as Algonquin's Sugar Creek wind project. That commitment to growth alone makes Algonquin a great long-term safe investment option to consider.

In terms of a dividend, Algonquin offers an impressive 4.65% yield. Adding to that appeal is that Algonquin's stable quarterly dividend has also seen generous bumps over the years, including a 10% increase announced this month.

Final thoughts

No investment is truly safe, particularly in these unprecedented times of volatility. That said, Algonquin does offer investors both growth and income-earning potential from a stable business that remains well funded to weather a slowdown.

In other words, Algonquin remains a great, safe investment option to add to nearly every type of portfolio.

Buy it, hold it, and above all, don't panic.

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