



Turn \$3,000 Into \$15,000 With This Utility Stock

Description

Want to turn \$3,000 into \$12,000? Investors of **Algonquin Power & Utilities Corp** ([TSX:AQN](#))([NYSE:AQN](#)), a utility stock, have done just that.

In 2009, shares traded at \$4. Today, the stock trades at \$20 at writing. That increase in value doesn't even account for the annual dividend, which typically [averages](#) about 4%.

The best news is that this utility stock is just getting started. The company's capital plan could double the size of the business by 2024. Combined with the dividend income, investors have a chance to grow their investment at above-market rates while reducing their overall [risk](#).

The time is now

Algonquin is a rare utility stock. Its strategy differs from the rest of the industry. Typically, analysts separate utilities into *regulated* and *unregulated* operators. Algonquin is both.

Rate-regulated utilities usually have a monopoly over their markets. **Hydro One**, for example, controls 98% of the Ontario market. In exchange for this monopolistic power, these companies accept rate regulations, putting a cap on how much they can charge customers. In addition, these companies receive pricing floors. So their upside is limited, but so is their downside.

Unregulated utilities, sometimes referred to as merchant generators, enjoy no such protection. These companies sell their energy onto the open market, often at prevailing prices. When prices rise, profits follow. When prices fall, losses ensue. There's higher risk, but also higher reward.

When it comes to utility stocks, Algonquin is the best of both worlds. Roughly two-thirds of its business is fully rate-regulated. This segment provides reliable cash flows to support a 4.5% dividend. The other one-third of the business is unregulated renewable generation assets. This segment has been a proven source of long-term growth.

With Algonquin, investors get the consistency of regulated utilities, plus the growth potential of their

unregulated peers.

This utility stock is ready

Many utilities are valued at \$50 billion or more. Algonquin is worth just \$10 billion. Its diminutive size makes rapid growth more attainable. After all, it's easier to double in size as a \$10 billion company than as a \$50 billion business.

Over the next five years, management plans to deploy \$9.2 billion in new assets. Around 70% of that will target regulated opportunities, with the remainder focused on unregulated plays. And it's not like Algonquin's unregulated segment is incredibly risky, either. These projects get tied to PPAs, which are multi-decade contracts that guarantee the project's cash flow.

Perhaps most important, this utility stock won't experience much of an impact from COVID-19, which means that investors gain exposure to growth with limited downside.

"We remain confident in the resiliency of our business model, long-lived assets providing essential services, operating under business provisions which reduced economic volatility," notes Algonquin's CEO on a conference call in May.

"This business model has consistently produced stable and growing financial results. And we remain highly confident in our plans to continue delivering strong returns to our shareholders."

This utility stock quintupled in value over the previous decade. With a growth plan already in place targeting low-risk asset deployments, AQN stock should perform well in the decade to come.

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