



This Utilities Stock Is the Best on the TSX

Description

As far as utilities stocks go, **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) remains one of the best Canadian options for investors, in my view. That says a lot given the breadth of defensive utilities stocks. Many utilities companies are growing, yet maintaining relatively high dividend distributions. In this article, I'm going to highlight the bull case for owning Algonquin in this mayhem.

Stable income is worth its weight in gold

Uncertainty is what is killing the stock market right now. Not knowing with any degree of reliability what a given stock's revenue or earnings will be for the foreseeable future is terrifying for many investors. A "shotgun in the dark" approach may be sufficient for some.

However, there are still companies like Algonquin that do provide relatively stable and reliable top- and bottom-line returns.

The fact that roughly 75% of Algonquin's revenue comes from regulated utilities is a reason this utility player is able to maintain such revenue stability. As long as consumers continue to pay to keep the lights on, Algonquin's cash flow situation should not be impacted materially by any recessionary headwinds.

Keeping the lights on a roof over one's head are typically a top priority. Therefore, I'd expect even with Armageddon-style projections, Algonquin's revenue stream should be much less impacted from the market turmoil relative to its peers.

The rates that consumers pay for utilities could theoretically change. That's because rates are regulated by municipal and/or state/provincial authorities. However, most of these such contracts are long term in nature. Most analysts do not see a meaningful risk of such a move in the near term.

Renewables a key growth space

The remaining 25% of Algonquin's revenue stream stems from renewable power generation. This is the [juicy growth piece of Algonquin's business model](#) I think it is too attractive to ignore. The company owns a range of high-quality assets around the world. Therefore, the company is adding geographical diversification to an already outstanding growth profile.

I've commented specifically in the past on quality of Algonquin's water treatment assets-diversification. This is what allows Algonquin to pull away from the pack, in my view.

The need for renewable power will not disappear — neither will investor appetite for such investments. This is a solid long-term secular growth trend which I'm certain will not abate, only accelerate.

The need for environmental, social, and governance (ESG) mantras at companies spanning the economic spectrum will only grow over time. In this regard, Algonquin has positioned its business well ahead of the curve. The company has snatched up aforementioned renewables projects at what will be viewed in hindsight, as rock bottom prices.

Bottom line

As far as defensive, stable, cash flow generating investments go, Algonquin is easy to view as a top pick on this set of criteria alone. Thrown in a strong long-term growth profile to an accelerating need for renewable power and we get a nice mix of defensive growth for investors.

Now add a dividend yield of around 4.5% with a solid track record of dividend growth. Algonquin checks off nearly all of the boxes investors like me look for.

Stay Foolish, my friends.

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