



Retirees: This Dividend Aristocrat Will Recession-Proof Your Portfolio

Description

The pandemic-led sell-off has thrown up good buying opportunities in the equity market. It has enabled retirees to build a portfolio of quality dividend companies. It helps if these companies have a really good shot of capital appreciation as well. Here is a stock that has been increasing its dividend payout for the last 27 years straight!

ATCO ([TSX:ACO.X](#)) is a hidden gem in the middle of a bunch of struggling stocks. It [operates in multiple segments](#) including residential and commercial real estate, construction, logistics, utilities, energy infrastructure, and transportation. I think it is one of the most value-for-money defensive players out there.

Strong Q2 results for this Canadian giant

ATCO announced its results for the second quarter of 2020 with sales of \$938 million compared to \$1.1 billion in the same period in 2019. Earnings came in at \$70 million compared to \$78 million in 2019. However, the drop in earnings was not due to the business getting affected by the pandemic.

It was because it's subsidiary **Canadian Utilities** ([TSX:CU](#)) sold off its domestic fossil fuel-based electricity generation business and 80% ownership interest in Alberta PowerLine in 2019, which together contributed \$9 million to earnings in Q2 of 2019. If you take away the earnings impact from 2019, ATCO's earnings are up \$8 million compared to last year.

ATCO's structures and logistics segment recorded a 200% increase in net earnings and stood at \$21 million driven by higher workforce housing trade sale activity in Canada, the U.S., and Australia. It also won "a design, supply and installation contract for two modular hospital facilities in Mexico City and Tijuana to support the fight against COVID-19."

Atco's Neltume Ports segment saw its earnings halve to \$2 million because of lower cargo volumes in 2020 thanks to the pandemic.

One of the biggest wins for Atco came through Canadian Utilities, that set up a 50-50 LLC called LUMA

Energy with Quanta Services, “to transform, modernize and operate Puerto Rico’s 30,000 kilometre electricity transmission and distribution system over a term of 15 years after a one year transition period, which began in the second quarter of 2020.”

A dividend aristocrat

Atco is one of the best dividend paymasters out there. The company has increased its dividend payout every year since 1993. It ticks all the boxes for investors who are looking for a company with a strong balance sheet and an assured stream of income. They would do well to buy into Atco.

Analysts have given Atco a price target of \$47.29. That’s an upside of over 15%. Add the 4.25% forward yield and you could be sitting on a tidy profit. In fact, I would say when you take into account all of Atco’s assets and the revenues potential they have, you realize that the \$47 target might be a tad on the lower side.

There is no reason why Atco can’t hit the \$55 levels it had reached in February 2020 before the markets crashed. Atco is a great stock to own right now.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ACO.X (ATCO Ltd.)
2. TSX:CU (Canadian Utilities Limited)

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