



3 Reasons to Buy Algonquin Power & Utilities (TSX:AQN)

Description

Finding the right mix of investments requires a balance between both income and growth stocks. Finding a single stock that can cater to both those needs is often a daunting task for investors.

Algonquin Power & Utilities Corp ([TSX:AQN](#))([NYSE:AQN](#)) is an example of a stock that can provide for both of those needs. Here are a few reasons to buy Algonquin.

Algonquin is a great defensive pick

If there's one thing that the COVID-19 pandemic reminded us of, it's that every portfolio needs to be well-balanced. Part of that balancing act lies in selecting one or more [defensive stocks](#) that can escape a market slowdown unscathed.

Algonquin is a perfect example of that. As a utility, Algonquin provides a necessary service that generates a recurring and stable stream of revenue. That recurring revenue stream is backed by regulated contracts, which can span decades in duration.

Algonquin's US\$11 billion business operates under two segments that serve over 800,000 customers across North America.

Liberty Power is Algonquin's renewable energy operation, consisting of 36 clean energy facilities. The facilities include solar, wind, hydroelectric, and natural gas facilities located across North America. Collectively, the facilities provide 1.5 GW of installed capacity. Additionally, Algonquin has a development portfolio that is set to bolster that capacity by a further 1.5 MW over the next few years.

Liberty Utilities is Algonquin's utility service arm. The company provides gas, water, and electricity services to customers across a dozen U.S. states. While the utility segment provides a recurring revenue stream for Algonquin, it's also worth noting the growth potential. That growth comes primarily in the form of tuck-in acquisitions.

Algonquin's most recent deal was the US\$23.5 million acquisition of the water and sewer systems in Bolivar Missouri. The deal was signed late last year, and residents approved the deal earlier this

summer.

Algonquin offers growing income potential

While Algonquin's well-diversified business may appeal to some investors, it's hardly the only reason to buy the stock. Algonquin's attractive quarterly [dividend](#) is another factor that investors should be excited about.

The current quarterly yield amounts to an attractive 4.48%, which is on the higher end when compared to other utilities. Adding to that appeal is the fact that Algonquin has provided handsome annual upticks to that dividend. In fact, over the last 10 years, that growth has compounded to an annual 10% gain.

One final reason to buy Algonquin

Utility stocks are often stereotyped as boring investments. The steady and often passive approach to growth utilities take is the reason for that view. Fortunately, investing in Algonquin is anything but boring. Instead, Algonquin continues to seek out new acquisitions, taking an aggressive approach to expansion.

That appetite for expansion is a key element that few of Algonquin's peers can match. Most traditional utilities are still powered by fossil-fuels. This is in contrast to Algonquin's all-renewable portfolio. Those existing fossil fuel facilities will need to be replaced with renewable options at a considerable expense.

In other words, Algonquin strikes the perfect balance between income and growth-seeking investors both today and over the longer-term.

Buy it, hold it, and get rich.

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