Here's a Clean Utility Stock for Your Portfolio

Description

Utilities are some of the best defensive investments to own. This is mainly because they offer a reliable revenue stream and a handsome dividend. The counter-argument to utility stocks includes the stereotypical view of them being boring and dirty. If only there were a clean utility stock that wasn't boring!

But wait, there is such a stock. Let's take a moment to talk about **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN).

Algonquin is not your average utility

The first thing that prospective investors should note is Algonquin's structure. The company has two main segments, which provide a welcome element of diversification to investors.

That first segment is Algonquin's renewable energy operation, known as Liberty Power. Liberty Power has a portfolio of 35 clean energy facilities that collectively provide over two GW of installed capacity. The company also has an additional 1.6 GW of renewable capacity under construction.

Algonquin's energy operation is well diversified across solar, wind, thermal, and hydro elements. Adding to that, those facilities are located across Canada and the U.S., adding yet another element of diversification into the mix. Again, this makes Algonquin a great clean utility stock investment for any portfolio.

If that weren't enough, there's another important point to note. As with traditional fossil fuel-burning utilities, Algonquin's renewable portfolio is subject to the same long-term regulated contracts known as PPAs. PPAs provide a recurring and stable revenue stream for utilities.

Algonquin's Liberty Utility segment, however, provides gas, water, and electric service to a growing number of customers across the United States. In total, both segments serve over one million customers.

What makes Algonquin different?

Seasoned investors that already own one or more utility stocks in their portfolio are probably wondering what makes Algonquin different. There are plenty of other utilities on the market that are larger and boast longer dividend histories.

To answer that, let's look at two key differentiators.

First, there's Algonquin's renewable business. Traditional fossil fuel utilities are under increasing pressure to transition to renewables. A colossal shift of that nature will cost billions. Turning back to Algonquin, the company already boasts an all-renewable portfolio, so any additional investment can be used on growth initiatives, which leads me to my second point.

Second, Algonquin has broken the common stereotype that utilities are boring investments. Instead, the company is constantly looking to expand into new markets and bolstering its capacity. For example, in November, Algonquin completed the acquisition of the Bermuda Electric Light Company. The 36,000 customers that were part of the acquisition isn't a one-time event either. This latest deal represents the 27th acquisition in the past 11 years.

Algonquin is the clean utility stock your portfolio needs

One thing that I haven't mentioned yet is Algonquin's dividend. For many investors, the dividend makes or breaks the investment, and Algonquin doesn't disappoint. As a result, the company offers a quarterly dividend that currently works out to an impressive 3.89%.

In short, Algonquin really is the complete package for investors. The clean utility stock not only offers solid growth potential, but it also provides a handsome dividend and is *already* ahead of its fossil fuel peers on the renewable front. This makes the stock a perfect buy-and-forget candidate for any [long-term portfolio](#).

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Date
2025/09/16
Date Created
2020/12/30
Author
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