



Warren Buffett's Next Canadian Pick Could Be This Canadian Renewables Gem!

Description

Looking for the Canadian stock that could be the next Warren Buffett portfolio addition? **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) could be just that. I think 2021 is likely going to be a year where we see certain sectors such as renewable energy take off. Thus, now would be a great time to pick up shares of this stable growth gem.

Here's why I think Algonquin could be on Buffett's radar right now:

Renewables exposure

2021 could be the year we see Warren Buffett and other prominent money managers get into renewable energy plays in a big way. Algonquin has proven to be one of the best acquirers in this space. Indeed, the company has built a renewables portfolio that is the envy of its peers.

Algonquin has added renewables exposure for many years, a fact which was not fully appreciated by the market until recently. With the rise of Environment, Social and Governance (ESG) investing mandates, capital inflows into renewable investments has skyrocketed in recent years. Accordingly, I think this secular trend will continue for a very long time. I also think we've only seen the tip of the iceberg in this regard.

With around 30% of the company's revenues generated from renewables, this is a great way to gain access to renewables over the long-term. The company's acquisition-based growth model allows for future growth in this segment. Algonquin's management team has openly stated it continues to look for attractively priced options in this sector. Accordingly, the growth thesis for this stock in the company's renewable business remains robust.

Excellent growth profile

In addition to renewables, Algonquin's regulated utilities business grows at a very reasonable and predictable rate. This is a bonus for investors seeking low volatility returns over a long investing time

horizon. This stable growth, supplemented by more dynamic growth in the renewables sector, sets Algonquin apart from most of its peers. Algonquin is unique in the portfolio of assets it has acquired, and will continue to acquire via acquisition.

The acquisitions Algonquin has taken on have proven to be [synergistic growth opportunities](#). Algonquin is one of the best acquirers on the **TSX**, increasing the return on shareholder equity of most of its acquisitions immediately after takeovers. This experienced management team will continue to acquire over time, and this valuation will continue to climb alongside the corresponding earnings growth.

Wide moat

One of the aspects Mr. Buffett likes most about businesses in which he invests is the size of the moat of a given company. In this regard, Algonquin's extremely wide moat is something that could entice investment from one of the world's greatest investors of all time.

Algonquin's earnings are almost entirely guaranteed due to the very favorable nature of the regulated utilities business. This is also bullish for long-term growth investors like Buffett who like cash flow growth and stability.

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