



RRSP Investors: Top Stock for January 2021

Description

ATCO ([TSX:ACO.X](#)) is a [diversified global holding corporation](#) with investments in structures and logistics, energy infrastructure, transportation (ports and transportation logistics) and commercial real estate. The company has approximately 6,000 employees and assets of \$25 billion. ATCO is focused on investments that help grow intrinsic value of the holding company's portfolio.

Investments in the structures and logistics division have tended to focus on workforce housing, innovative modular facilities, construction, site support services and logistics and operations management. On the other hand, energy infrastructure investments have been made in areas of electricity generation, transmission, and distribution, natural gas transmission, distribution and infrastructure development, energy storage and industrial water solutions, and electricity and natural gas retail sales.

The company is very [attractively priced](#) with a price-to-earnings ratio of just 16.14, a price-to-book ratio of 1.05, and market capitalization of \$4.24 billion. Debt is very prudently used by ATCO, as evidenced by a debt-to-equity ratio of just 1.25. The company has excellent performance metrics with an operating margin of 26.84% and a return on equity of 6.85%.

ATCO's long-term success depends on the company's ability to expand into new markets and lines of business, while offering customers comprehensive and integrated solutions to meet technical requirements. ATCO's commercial real estate business owns the sprawling, global corporate head office in Calgary, Canada and other real estate investments held for leasing or development.

In 2018, ATCO purchased a 40 percent interest of Neltume Ports, a leading port operator and developer in South America. This was an excellent investment with an expected high rate of return as ATCO earned the right to receive lucrative licensing fees and financing expenses associated with the Neltume Ports investment. Recently, the company has focused on select opportunities in services such as housing, logistics, transportation, agriculture, water, real estate, energy and energy infrastructure.

ATCO Investments was formed in 2017 to accumulate revenue from commercial real estate activities. The original intent of this corporate division was to generate earnings from the sales of commercial and

industrial properties and to lease real estate to third parties to generate steady revenue.

However, once ATCO Investments was established, the company identified that the division could be utilized in developing longer-term, high-return projects and started investigating opportunities to broaden the portfolio.

Currently, the portfolio of ATCO Investments includes 15 commercial real estate properties throughout Alberta, including 417,000 square feet of saleable or leasable office space, 90,000 square feet of saleable or leasable industrial space, and 431 acres of land with redevelopment potential.

Recently, ATCO's structures and logistics business has exceeded expectations due to strong earnings from the Liquefied Natural Gas (LNG) Canada Cedar Valley Lodge project, and space rental fleet earnings. The company's Canadian Utilities has benefitted immensely from incentive and performance payments.

In summary, ATCO's strong balance sheet and inexpensive valuation will allow it to provide outsized future returns to shareholders. The company's defensive positioning in the low risk utilities industry will serve it well over the long term as management work on expanding the portfolio by taking advantage of asset price dislocations. Investors can earn a 4.72% dividend yield by purchasing this recession resistant stock.

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