



Buy Alert: ATCO Stock Has Gained 15% in 2021

Description

ATCO ([TSX:ACO.X](#)) is what some people call a forever company. It has been touted by multiple analysts as one to [buy and hold forever](#). The stock has a dividend yield of 4.25%, and ATCO has been increasing its dividend payout for the last 28 years. Around 95% of ATCO's revenues come from regulated contracts, which suggests its cash flows are predictable, making its juicy yield sustainable.

ATCO is a utility logistics company that operates in over 100 countries. It manages assets of over \$22 billion and has over 6,200 employees. The stock has moved up 15% in 2021. It closed at \$36.39 on December 31, 2020, and closed on April 9 at \$42.15.

Strong Q4 sales

ATCO has a current market capitalization of \$4.92 billion. In the last four quarters, it has managed to surpass [consensus EPS estimates](#) three times. ATCO posted its Q4 numbers recently, and its revenues came in at \$1.05 billion compared to \$1.18 billion in the prior-year period. However, its adjusted earnings in the December quarter came in at \$122 million — \$21 million more than \$101 million in Q4 of 2019.

While ATCO has shown strong growth in the past decade via various projects and acquisitions, its debt has also grown in tandem. Thus, while it currently has over \$9 billion in debt, it also has an A-rating thanks to its stable business and cash flow. Its debt-repayment schedule runs all the way to 2039.

ATCO has been focusing on its renewables business after it sold off its entire Canadian fossil fuel-based electricity generation business for \$821 million. It now has 185 MW of natural gas, 59 MW of hydro, and three MW of solar.

What's next for ATCO investors?

ATCO owns a majority stake in **Canadian Utilities**, a company that has increased dividends for 49 straight years, the longest track record of annual dividend increases of any Canadian publicly traded

company. Canadian Utilities will invest \$3.2 billion as capex in regulated utility and commercially secured energy infrastructure capital growth projects between 2021 and 2023. This capex is expected to generate utility mid-year rate base growth of approximately 2% a year.

ATCO made a couple of acquisitions in 2020. It acquired the remaining 50% stake in the ATCO Sabinco S.A. joint venture partnership. It now owns 100% of its Chilean business.

A very heartening piece of news for ATCO shareholders will be the fact that the company's Neltume Ports acquisition in 2018 is starting to look very good today. The company's results in Q4 were in no small part due to the Neltume Ports acquisition, which resulted in higher cargo volumes and margins. This was a smart move, and ATCO is trying to replicate it with LUMA in Puerto Rico.

In June 2020, the Puerto Rico Public-Private Partnerships Authority (P3A) selected LUMA to manage and modernize Puerto Rico's electric transmission and distribution (T&D) system. It is a 16-year contract with a transition period that began on June 22, 2020.

One fear for ATCO is control and management, as the company diversifies into multiple territories. The debt is high, but cash flows are assured, as is the dividend.

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