



Why This Top TSX Stock Is a Sneaky ESG Play

Description

The focus on ESG investing has become more important for investors to consider than ever. Indeed, I think the view of ESG really is too narrow these days among many investors. Too many ESG-focused investors ignore opportunities in “old-school” sectors like utilities.

However, there are companies that are making big sustainability transitions worth keeping an eye on. One such company is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)).

Here’s why I think investors should put this [top stock](#) on their watch list today.

Renewables portfolio has tonnes of upside

TD Bank reports that three-quarters of the workers in the oil and gas sector could be laid off by 2050 in Canada.

Why?

Well, the country has got to make moves to hit its carbon-emission targets. Indeed, the fight against climate change is picking up. And governments are likely to get less friendly to dirty energy sources over time. However, companies transitioning to greener energies may come into focus for investment.

Algonquin has been ahead of the curve in this regard. The company’s made some very well-timed acquisitions in recent years to boost its renewables portfolio to roughly one-third of its overall business. Thus, it’s a small but fast-growing player in this space. Additionally, Algonquin has the balance sheet room and cash flow growth to consider bolt-on acquisitions over time.

Accordingly, this is a unique niche play for ESG investors today.

Algonquin’s core business provides stability

The company's aforementioned renewables portfolio is nice.

However, most investors look to Algonquin's core regulated utilities business first when assessing this company.

Why?

Well, it's simple. This core business provides a tremendous amount of stability in terms of free cash flow growth. It's also extremely defensive. Indeed, Algonquin's cash flows are top notch and extremely stable over time. This has allowed the company to increase its dividend annually in the double-digit range of late.

This year has been no different. The company has announced a 10% dividend increase, providing income investors with yield support, given the capital appreciation this stock has seen of late. Indeed, dividend picks like Algonquin that raise their dividends over time well in excess of the market tend to outperform those that don't. Accordingly, income investors should certainly give this stock a look right now.

Bottom line

Indeed, Algonquin Power is one of my top picks for income investors who are looking to play the renewables space. The company's high-quality renewable energy portfolio is an indicator of tremendous growth potential in the long term.

Combine these factors with extremely stable cash flows, and this easily becomes a top pick for any long-term investor today.

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

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