



2 Water Stocks Could Deliver Mammoth Returns Very Soon

Description

Mother Earth is abundant in natural resources, and water is number one because it covers 71% of the planet's surface. Water is also Canada's top natural resource followed by oil, forests, precious metals, and coal. However, from a business perspective, the oil & gas market is more lucrative at the moment.

Still, water can't be ignored as an [investment prospect](#), because the H2O market caters to households and vital sectors like food & beverages, industrial, mining, power, pharmaceutical, petrochemicals, and oil & gas, too. **American Water Works**, **Xylem**, and **Essential Utilities** are large-cap water stocks on the New York Stock Exchange.

Canadians can invest in the stocks and hold them in an RRSP, so that earnings or income are tax exempt. On the TSX, industry players are limited compared to the United States. But if you want exposure to water, **Primo Water** ([TSX:PRMW](#))([NYSE:PRMW](#)) and **Global Water Resources** ([TSX:GWR](#))([NASDAQ:GWRS](#)) are potential high-growth stocks.

Successful business approach

Global Water Resources is a pure-play water resource management company. Its 25 systems provide water, wastewater, and recycled water services. The concentration of the service areas is in metropolitan Phoenix, the location of growth corridors. Global Water recycles more than one billion gallons of water yearly.

The \$409 million company has been successful with the Total Water Management (TWM) approach. Global Water manages the entire water cycle by owning and operating water, wastewater, and recycled water utilities within the same geographic area to maximize the beneficial use of recycled water.

In Q1 2022, consolidated revenues increased 9.08% to \$10.02 million versus Q2 2021. Net income was nearly \$0.9 million compared to \$0.2 million net loss in the same quarter last year. Global Water's president and CEO Ron Fleming said, "Revenues from water, wastewater and recycled water services increased." Existing and new connections drove organic growth.

Also, during the quarter, two strategic acquisitions expanded Globe Water's water utility portfolio in Arizona. In April 2022, management signed a definitive agreement to acquire another water-related company. Fleming added, "Through the remainder of the year, we expect top-line and bottom-line improvements to be driven by organic growth in new connections."

Global Water anticipates future potential growth via its acquisition strategy. It will also continue pursuing accretive acquisitions with consolidation benefits. At \$16.99 per share, the water stock trades at a discount (-21.56% year to date). Somehow, the decent 2.22% dividend should compensate for the temporary pullback.

Drinking water solutions

Primo Water is down 21% year to date, although market analysts covering the stock recommend a buy rating. Their 12-month average price target is \$27.91 — a climb of 59.2% from its current share price of \$17.53. The overall return should be higher because of the 2.08% dividend.

The \$400 million company provides drinking water solutions to customers in North America and Europe. In Q1 2022, management reported 10% and 59.2% increases in net revenues and adjusted net income versus Q1 2021. According to Tom Harrington, Primo's CEO, the strong customer demand in Water Direct/Exchange business helped deliver double-digit revenue growth.

For 2022, Primo Water expects 9% to 10% revenue growth. However, it projects a high single-digit organic revenue growth by 2024.

Rise to prominence

Global Water Resources and Primo Water should rise to prominence very soon. Prospective investors can earn two ways: from capital gain and dividends.

CATEGORY

1. Dividend Stocks
2. Investing

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3. TSX:GWR (Global Water Resources, Inc.)
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