1 Beaten-Down TSX Stock for Dividends and Future Growth

Description

During a market crash, it seems no asset is safe.

Even conservative investments take short-term hits, and **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is no exception. It recently fell 43% from its 12-month high and now boasts a 4.5% dividend yield.

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This could be a rare opportunity to grab some income *and* enjoy future growth.

But is this stock right for your portfolio? And, if so, should you be buying now?

The worst is hopefully over for Algonquin Power & Utilities

Utilities are generally seen as "defensive" stocks, because they provide a necessary service.

No matter what happens to the economy, we all need electricity. We all need water. So, you can expect relatively stable revenues and consistent dividends. That has been the case for Algonquin Power & Utilities.

It owns a diversified basket of assets across electric and natural gas utilities, water and water-waste utilities. Not to mention a rapidly expanding footprint in renewable energy.

Operating cash flow has increased steadily for over five consecutive years, which has been matched with rising dividends. On February 27, it announced an annual $0.56-per-share dividend — higher than the industry average.

You can also reinvest your dividends for a further 5% discount on new shares.

Another (overlooked) reason I expect this stock to outperform

Algonquin Power & Utilities has invested heavily in wind, solar, and hydroelectricity.

Obviously, it's smart to address growing environmental concerns. But it does something else that's often overlooked.

It also makes the company's debts easier to manage.

Unlike oil and other commodities, renewable energy has stable prices. It means Algonquin Power & Utilities can expect a more predictable net income. They can plan for the future with fewer uncertainties.

Utility companies tend to have a lot of debt (one of the few things I don't like about this stock). However, debt is easier to stomach when you know the management is taking it seriously.

Algonquin Power & Utilities is aiming to keep a BBB credit-rating. Its net income covers interest payments three times over. Its debt to capital is 47.82%, which is lower than the industry average.

As Algonquin Power & Utilities finds it easier to manage debt, I think it should outperform other utility stocks even more.

Should you buy Algonquin Power & Utilities?

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I'm with my fellow Fools who believe this bear market still isn't over.

Now is not the time for wild, speculative bets.

It's time to play defence. To protect your savings with proven, stable companies that can offer you a fair return. I'm expecting Algonquin Power & Utilities to keep doing this for the foreseeable future.

It's a well-run company with a decent dividend. And it's getting an impressive return on new investments. Last year saw its return on equity soar to 15.63%.

Could you find a higher dividend elsewhere?

Sure. But at least this dividend looks safe. There's no point buying a stock for a high dividend yield, only to find it gets cut in a recession.

Could the share price fall some more?

Of course. Anything could happen. But I'm not too worried about these dips. If anything, I'm grateful to get more shares at a discount when the dividends are reinvested.

Over the long term, it's a no-nonsense stock which you can leave humming along in your TFSA for years to come.

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