Dividend Investors: Is Algonquin Power and Utilities a Buy After its 3rd-Quarter Earnings?

Description

Yesterday after the market closed, **Algonquin Power and Utilities** (TSX:AQN)(NYSE:AQN) reported earnings for its third quarter of 2021.

The utility stock, which also gets about a quarter of its earnings from renewable energy generation, is in the midst of a year-long growth plan. Investors are certainly keen to get an update on how Algonquin's business is performing, especially after its recent acquisition of Kentucky Power and Kentucky Transmission Co.

What happened with Algonquin's earnings?

Although Algonquin did match consensus estimates for its adjusted earnings per share at $0.15, it fell short of consensus expectations with its adjusted EBITDA.

Algonquin reported adjusted EBITDA of $252 million while analysts were expecting closer to $268.6 million.

With power generators, especially in green energy, having a slight miss on earnings isn't always a major concern. For example, Algonquin's power generation was 14% below its long-term average in the third quarter. Therefore, we can assume this was a one-time impact, and the next quarter could see generation above its long-term average.

The stock also guided to full-year 2021 adjusted EPS near the bottom end of the previous target range of $0.71-$0.76. The lower power generation this quarter will play a role in the lower full-year earnings for Algonquin. However, the company expects it can be mitigated by lower interest/depreciation expense.

Algonquin is hosting a conference call at 10 am today to discuss the details.

So what?

While these earnings aren't necessarily strong, they aren't weak either. Algonquin is a utility stock and a low-risk investment. The company is focused on growing its business in the long run. Furthermore, investors who own Algonquin likely do so primarily for its stability and its dividend.

So, while a quarter of earnings that were in line or slightly below estimates is not ideal, it's also not a huge concern. Instead, investors will likely be far more interested in Algonquin's future growth plans, which it will likely go into more detail about during its annual investor day next month.

Now what?

Algonquin is not the type of stock you buy for massive growth. But if you're an investor who is looking to add stability or income to their portfolio, you could decide to take advantage of this ultra-cheap price Algonquin is currently trading at.

Not only does the Dividend Aristocrat have a current yield of roughly 4.9%, but it's trading right at the bottom of its 52-week range.

So, if you're a dividend investor or just looking to add stability to your portfolio, Algonquin is one of the cheapest utility stocks to buy now.

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Date
2025/08/23
Date Created
2021/11/12
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