The Best TSX Dividend Stock Under $20 to Buy for Christmas

Description

It’s Christmas Eve today! In the interest of not taking up your time today, so you can spend more of it with loved ones instead of reading about stocks, I’ll give you the bottom line up front: **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) might be one of the best low-priced, high dividend-paying stocks to buy for 2022. Let’s get right into it.

The case for Algonquin

Canada has some excellent utilities companies that provide stable, low-volatility growth, ever-increasing dividend payments, and solid financials/management.

However, Algonquin stands out in particular because of its business model and target sector, with a focus on renewable energy. The company actively invests in hydroelectric, wind, and solar power facilities in addition to the regular utilities businesses of water, natural gas, and electricity.

The market rewards high-innovation sectors like renewables with growth, and Algonquin has exhibited that, with the stock returning over 60% in the last five years compared to just 41% for the **S&P/TSX 60 Index.**

Retail/institutional investor interest and government priorities towards green energy sources has driven this. The sector is anticipated to experience continued growth, as the economy transitions from fossil fuels to renewables.

What the numbers say

Valuation wise, Algonquin has some solid, albeit not extraordinary stats. With an enterprise value/EBITDA of 18.35, enterprise value/revenue of 9.42, forward P/E of 17.42, and P/S of 3.92, Algonquin appears to be fairly valued compared to the rest of the sector.

In terms of fundamentals, the company is profitable, with a operating margin of 17.53%, profit margin of 27.20%, and an ROE of 8.52%. Income wise, YoY quarterly revenue growth stands at 40.40%, with a trailing 12-month EPS of 1.23, which is good compared to its peers.

As of the most recent quarter, Algonquin has $192 million in cash on the balance sheet, but with total debt of $6.97 billion, leading to a poor long-term debt/equity ratio of 1.22 and current ratio of just 0.62. However, this is normal for the utilities sector, which often carry high debt, as infrastructure requirements make large, periodic capital expenditures necessary.

The company also pays a dividend, which currently yields a respectable 4.68%, with a great five-year annual yield of 4.25%. The payout ratio is 62.5%, which is not too high as to be unsustainable. Currently, Algonquin has a five-year monthly beta of 0.19, which makes it significantly less volatile compared to the market.

The Foolish takeaway

In my opinion, Algonquin offers a large, sustainable, and regular dividend yield, decent fundamentals, and operates in an anticipated high-growth sector. For less than $20 a share, I can't think of a better stock pick to end 2021 with.

At its current price of around $18 per share, Algonquin is trading roughly 20% below its 52-week high of $22.67. Christmas might be a great time to pick up this stock at a cheap price to take advantage of the "Santa rally."

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