



## Algonquin Power and Utilities: A Safe Stock Offering Great Value

### Description

As inflation continues to surge in North America and interest rates rise rapidly as a result, it's not surprising that there are fears of a recession on the horizon. That makes it crucial that investors select high-quality stocks to make up their portfolios, such as a highly defensive utility stock, such as **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)).

When the economy goes through a recession, not only do you want to own highly defensive and reliable stocks that can continue to earn strong cash flow. You also have to consider that while the market is selling off, dividend stocks become that much more valuable due to the income they are providing while the market struggles to gain value.

For this reason, utility stocks are some of the best you can buy. The services they offer are defensive, the cash flow they earn is resilient, the dividends they pay are predictable and constantly growing, and because of all this, these stocks are far [less volatile](#) than almost every other company on the market.

And of all the utility stocks to buy now, Algonquin stock looks as though it's one of the best you can buy due to the attractive combination of its long-term potential and the value it's trading at today.

### Algonquin is a top utility stock with renewable energy exposure

One of the main reasons why Algonquin stock is one of the best utility stocks to buy now is that it offers an impressive mix of utility operations with renewable energy assets.

Algonquin's main business is utilities, earning roughly 70% of its income from these operations. And, as if the stock wasn't already highly defensive, Algonquin's utility operations are diversified across numerous states south of the border. In addition, its services are also diversified, as Algonquin offers a mix of gas, electricity, and water utilities.

In addition, its renewable energy assets, which generate electricity, are also highly defensive and give Algonquin a ton of potential to continue growing its portfolio long term.

In addition, recently, Algonquin has been looking at employing a capital-recycling program where it sells off its more mature and established renewable assets and uses the capital to invest in earlier stage projects at far cheaper valuations.

Therefore, Algonquin stock is one of the top utility companies to own not just through the potential recession next year but for years to come going forward as well.

## **In addition to being an attractive business, Algonquin is trading undervalued**

The fact that Algonquin has high-quality operations is crucial. However, just as important is that the stock offers investors great value today, especially in this highly uncertain investing environment.

Right now, Algonquin trades at just 17.2 times its [forward earnings](#). That's cheaper than several of its competitors. However, in addition, it's also cheaper than where Algonquin has been trading in recent years.

This is surprising given that slower-growing utility stocks have been less in favour over the past five and 10 years due to the rapid growth the market has seen. And today, when safer, more resilient stocks should have a premium, Algonquin is actually trading below its historical averages.

For example, over the last five years, it's traded at an average forward price-to-earnings (P/E) ratio of 19.3 times. And over the past 10 years, its P/E ratio has been closer to 21.5 times.

Therefore, with Algonquin stock trading undervalued as well as offering an exceptional dividend yield of roughly 5.4%, it's certainly one of the top Canadian stocks to consider buying in this environment.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

### **PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

### **PP NOTIFY USER**

1. danieldacosta
2. kduncombe

**Category**

1. Investing

**Date**

2025/08/24

**Date Created**

2022/07/14

**Author**

danieldacosta

default watermark

default watermark