



Why I'm Buying Algonquin Power Stock in October 2022

Description

Algonquin Power & Utilities ([TSX:AQN](#)) is an Oakville-based company that owns and operates a portfolio of regulated and non-regulated generation, distribution, and transmission utility assets. Today, I want to discuss why I'm looking to snatch up this renewable energy stock after the midway point in October 2022. Let's jump in.

How has Algonquin Power stock performed so far in 2022?

Shares of Algonquin Power & Utilities have plunged 16% month over month as of early morning trading on October 17. The stock is down 19% in the year-to-date period. Investors can look at its recent performance in the chart below.

The **S&P/TSX Composite Index** has been [hammered](#) in the late summer and early fall season. However, there has been some bounce back in the month of October. Algonquin stock still has the potential to regain the momentum it built in the first half of 2022.

Here's why I'm seeking exposure to the renewable energy space

Investors should be eager to get in on the [renewable energy market](#) for the long term. Precedence Research recently estimated that the global renewable energy market was valued at US\$952 billion in 2021. Precedence projects that this market will deliver a compound annual growth rate (CAGR) of 8.6% from 2022 through to 2030. That would vault the market to a valuation just under US\$2 trillion.

Should investors be encouraged by Algonquin's recent earnings report?

This company is set to release its third-quarter (Q3) fiscal 2022 results in the first half of November. In Q2 2022, Algonquin delivered revenue growth of 18% to \$624 million. It delivered growth across its regulated and renewables businesses. Meanwhile, it reported adjusted net earnings of \$109 million, or

\$0.16 per share — up 19% and 7%, respectively, from the previous year.

EBITDA stands for earnings before interest, taxes, depreciation, and amortization. This measure aims to give a more complete picture of a company's profitability. Algonquin achieved adjusted EBITDA of \$289 million in the second quarter of fiscal 2022, which was up 18% from the prior year. Moreover, adjusted funds from operations (AFFO) climbed 12% to \$180 million.

On the business side, Algonquin completed the acquisitions of the Blue Hill Wind Facility in Saskatchewan and Sandhill Advanced Biofuels, a developer of renewable natural gas projects. Meanwhile, it is set to close its acquisition of the Kentucky Power Company and the AEP Kentucky Transmission Company in the second half of 2022.

Why this stock is worth buying today

Shares of Algonquin stock are currently trading in [favourable value territory](#) compared to its industry peers. It last had a solid price-to-earnings ratio of 36. The Relative Strength Index (RSI) is a technical indicator that measures the price momentum of a given security. This stock last had an RSI of 34, putting it just outside technically oversold territory. Moreover, Algonquin offers a [quarterly dividend](#) of \$0.181 per share. That represents a very tasty 6.7% yield. I'm looking to snatch up this renewable energy stock that offers up nice value and an even better dividend.

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