



## Why This Energy Giant Looks Like a Major Bargain

### Description

Shares of **Algonquin Power** ([TSX:AQN](#)) were already trading at a discount heading into its earnings report on November 11. Prior to the release of the company's earnings last Friday, the stock was down 15% year to date. And after dropping another 20% on Friday alone after a disappointing earnings report, the utility stock is now trading at a massive discount.

It's unusual for a utility stock to see such a significant drop as the one Algonquin Power saw last week. Utility companies are known for being dependable and defensive, as opposed to dropping 20% in a single trading day.

### Mixing utilities with renewable energy

Where Algonquin Power differs from its peers is its renewable energy offering. The \$8 billion company boasts a growing portfolio of [renewable energy](#) assets spread across Canada and the U.S, which include hydroelectric, wind, solar, and thermal facilities.

The company's renewable energy division is one of the reasons why it's been a market-beating stock in recent years. With the recent drop, the stock is now down over the past five years. But going back a decade, shares are up close to 100%. That's good enough for it to easily outpace the returns of the broader Canadian stock market.

And I haven't even mentioned anything about [dividends](#) yet, either. At today's stock price, Algonquin Power's annual dividend of \$1.00 per share yields 6.5%. You'd be hard-pressed to find many stocks on the TSX yielding that high right now.

### Why invest in Algonquin Power today?

I had Algonquin Power on my watch list before the company's earnings release last week and lowered guidance hasn't changed my take on the company. Management raised concerns about higher interest rates and inflation, which led to the decision to lower guidance. And as investors know all too well,

cutting guidance typically isn't received well by the market.

Lowered guidance aside, there's still a strong case to make as to why this company can be a solid addition to any long-term investor's portfolio.

The thesis of utility companies being top defensiveness stocks may not be as strong after witnessing Algonquin Power's selloff last week. But defensiveness isn't the only reason to be investing in the company at these price levels.

Algonquin Power offers investors a rare mix of market-beating growth potential and a high dividend yield. And if the company does return to its usual low-volatility ways, it's just one more reason to have the utility stock on your watch list.

## Foolish bottom line

It's not easy investing in a company after dropping 20% in a single day. After delivering an underwhelming earnings report, it wasn't a surprise to see shares of Algonquin Power sell off. While I'd argue the earnings miss didn't deserve a 20% drop, there are reasons to believe that there may be more pain in the short term for the company.

Long-term investors, however, have been presented with an excellent buying opportunity. There certainly may be more pain in the short term. However, this is a company that I think you'll be thankful that you started a position in at these prices sooner rather than later.

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1. kduncombe
2. ndobroruka

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**Author**

ndobroruka

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