# Algonquin CEO Responds to Stock's Freefall: Will it Boost Shares?

### Description

**Algonquin Power and Utilities's** (TSX:AQN) chief executive officer (CEO) Arun Banskota recently put out a statement to calm investors' nerves after AQN stock crashed. The letter, addressed to shareholders, highlighted a number of positive developments at the company, and urged investors to take a long-term view. While Banskota didn't deny that the third-quarter release was poor, he did succeed in making some positive points about the company's trajectory.



In this article, I will explore Banskota's letter to shareholders and what it may signal.

## Reasons for the crash

In his letter, Banskota highlighted two main causes for AQN's poor earnings:

- Rising interest rates
- Inflation

High interest rates are bad for utility companies like Algonquin. Such companies have high levels of debt, and when that debt is variable rate, or when new debt has to be taken out, interest expenses rise. This year, the Bank of Canada and the Federal Reserve are both raising rates to combat inflation, and that's making Algonquin's debt more expensive. Algonquin had $7 billion in total debt last year, which is a significant amount. So, it should come as no surprise that the company is taking a hit from interest expenses.

With that said, rising interest rates aren't affecting all utilities equally. **Fortis** (TSX:FTS) reported its earnings a few weeks before AQN did and actually revealed modest growth in profit. So, there's more to this story than just sector issues.

## Reasons for optimism

In addition to explaining the crash his company had been subjected to, Banskota also gave some reasons for shareholders to be optimistic. Reasons given included the regulated nature of AQN's business, its acquisition of a Kentucky Power Plant, and the "green" nature of Algonquin's operations. As a renewable energy utility, Algonquin is likely to fare better in the event of future climate regulations compared to its competitors, but it remains to be seen whether that will turn the company's fortunes around.

## What to do

If you're an Algonquin shareholder worried about the third-quarter losses, you might want to consider diversifying your portfolio. Algonquin may or may not do well, but it wouldn't hurt to get some extra names in your utility portfolio.

Take Fortis, for example. In its most recent quarter, its earnings were not only positive but growing. Earnings per share increased by 7.9%. Dividends remained on track. Capital spending increased, yet the amounts spent did not eat into profits. Basically, it was a good quarter for Fortis.

FTS is one of Canada's most popular utilities for a reason. Having increased its dividend every year for 48 years, it has stood the test of time. It doesn't have the revenue growth that Algonquin has: even in its disaster quarter, AQN pulled off high double-digit growth. But Fortis's financial stability is much better than Algonquin's.



So, if you invest in Canadian utility stocks, it wouldn't hurt to get some FTS in your portfolio alongside Algonquin. Finance textbooks say you should be as diversified as possible, and, certainly, two stocks won't stretch your ability to keep up with the news on your holdings.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:FTS (Fortis Inc.)

**PARTNER-FEEDS**

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

**PP NOTIFY USER**

1. andrewbutton
2. kduncombe

**Category**

1. Investing

**Date**
2025/08/25
**Date Created**
2022/11/18
**Author**
andrewbutton