



## Algonquin Power Stock Plummeted 34% in November – Is it a Buy Today?

### Description

**Algonquin Power & Utilities** ([TSX:AQN](#)) was one of the worst-performing TSX stocks in November. Falling 34% for the month, it vastly underperformed compared to the TSX Composite Index. In the month of November, Canadian stocks as a whole eked out a 4.3% gain, which compared to Algonquin's severe loss, looks like a huge rally. In this article, I will explore why Algonquin fell so much in November and whether its stock is a buy today.

### Why Algonquin plummeted 34% in November

The main reason why Algonquin stock plummeted 34% in November is because it put out a bad earnings release that failed to live up to analyst expectations. In [the third quarter](#), AQN delivered:

- \$666 million in revenue, up 26%.
- \$102 million in operating cash flows, down 41%.
- \$73.5 million in adjusted net income (i.e., net income of a potential new owner by adjusting for debt interest, compensation, personal, and other expenses), down 25%.
- -\$192.5 million in GAAP net income (i.e., net income going by standard accounting rules), down from a positive figure.

It was a pretty mixed release. There were some good points, like the revenue growth, but on the whole, Algonquin didn't deliver the results investors were expecting. So, it's not surprising that it sold off after the release came out.

### How it stacks up today

It's one thing to note that a stock has done poorly in the past, but quite another to say that it will continue to do poorly. It's quite common for companies to turn around after bad news, maybe Algonquin is one such stock.

We know that high interest rates are part of the reason why Algonquin struggled in the third quarter. As

a utility, it borrows a lot of money to keep power generation going, and its interest expense increased, partially due to higher borrowing costs, after the Bank of Canada repeatedly raised interest rates this year. In Q3, AQN's interest expenses increased by \$23 million. That was a big part of why its earnings went down. The company's earnings will be fairly low for as long as interest rates are high, but on the flip side, if interest rates come down in the future, then AQN's earnings will probably go up.

## Is it a buy?

Having looked at all the factors behind Algonquin's stock sell-off, it's time to answer the all-important question:

*Is it a buy?*

As someone who was intrigued by Algonquin in the past, I can't deny that the recent earnings release was bad. It was the worst seen from the company in a long time. However, the company's positive operating cash flows suggest that maybe the large net loss was somewhat deceptive, perhaps mainly attributable to non-cash factors. I'm not rushing out to buy AQN right now, but I'm not discouraging others from doing so either. I wouldn't fault someone for desiring the stock's 9.6% [dividend yield](#).

One thing is for certain: the recent sell-off has made AQN much cheaper than it used to be. At today's prices, Algonquin trades at book value (assets minus liabilities). In other words, when you buy it, you're paying for exactly the value of its assets, net of debt, with no premium. That suggests a very [cheap valuation](#), so maybe Algonquin is worth a look.

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**Date**

2025/07/07

**Date Created**

2022/12/01

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