Is Algonquin a Good Long-Term Buy Right Now?

### Description

The market downturn has created plenty of opportunities for value-seeking and dividend-seeking Canadian investors in 2022. With some of the top dividend stocks trading at massive discounts, their dividend yields have become inflated to highly attractive levels.



Of course, not all high-yielding dividend stocks are bargains you should consider. It is important to be careful about the companies you invest in, regardless of how attractively priced they might seem on the surface.

The key is to find stocks trading below their fair values. Not every discounted stock is oversold. Some have simply gone down to more fair levels. While I rarely recommend investing in a Canadian dividend stock yielding 9%, this TSX stock is one I would never ignore.

Let's take a good look at **Algonquin Power & Utilities** (TSX:AQN) to help you determine whether this can be a good asset to buy and hold right now.

## Utilities and renewable energy giant

Algonquin Power & Utilities stock is a $6.85 billion market capitalization Canadian regulated utility conglomerate and renewable energy company. As of this writing, Algonquin stock trades for $10.17 per share, down by a massive 44% year to date. Most of its decline came in mid-November, as the stock lost 30% of its value in two days after the company reported its third-quarter earnings for fiscal 2022.

Granted, its earnings report was disappointing, but it might not have warranted such a steep correction. Algonquin stock's decline aligns with the broader downturn in Canadian utility stocks.

Higher interest rates have made borrowing costs higher, making the debt-heavy model less profitable for utility companies. Despite the essential nature of the services they provide, utility businesses rely on taking on debt loads to deliver their services.

## What is happening?

It is essential to know that Algonquin stock reported year-over-year growth in the quarter that was otherwise disappointing. Beyond the higher borrowing costs, delays with tax incentives on renewable energy projects weighed on the company's financials. The company's management announced that the tax-incentive delays were a significant reason for the downturn.

The company is gearing to future-proof itself, as it continues expanding its renewable energy segment. However, the company may have to deal with short- to medium-term difficulties, as interest rates, and tax incentive issues continue plaguing its growth. It might take even longer for Algonquin stock to complete its acquisition of Kentucky Power and bring it into the fold.

In its latest quarter, Algonquin saw its earnings before interest, taxes, depreciation, and amortization rise by 10% year over year. However, its net revenue declined by a quarter compared to the same period, and its net earnings per common share declined by 27%.

## Foolish takeaway



Despite the company going through problems that might persist for several weeks, if not months, it can be a good investment at current levels. Whenever a stock goes through a rough period on the stock market, it's essential to consider why it's happening and whether the issues will persist for a long time.

With Algonquin stock, the issues are arguably short term. As its presence in the renewable industry grows, Algonquin stock will likely see its performance improve drastically on the stock market.

At current levels, Algonquin stock offers shareholder dividends at a juicy 9.43%. Between its recovery in share prices and locking in high-yielding dividends, it might be a good idea to invest in its shares while it trades at these levels.

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