



Should Investors Buy the Dip on Algonquin Stock?

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. This renewable energy stock took a [huge hit](#) in November. Today, I want to discuss whether it is [worth snatching up](#) Algonquin on the dip ahead of the new year. Let's jump in.

What sparked Algonquin's steep drop in November?

Shares of Algonquin stock have dropped 46% in 2022 as of close on December 14. That has pushed this renewable energy stock into negative territory in the year-over-year period.

This renewable energy stock has suffered from broader headwinds. Some of these negative factors include higher production costs, soaring inflation, and supply chain issues that have complicated construction on some of its renewable energy projects.

Here's why you should be optimistic about this stock for the long haul

Canadian investors should seek exposure to the promising renewable energy space. Professional services giant Deloitte reported that the United States renewable energy sector saw its growth slow in 2022 in the face of the supply chain disruptions, inflation, higher interest rates, and other factors. However, Deloitte reiterated that this sector is still geared up for improved growth in 2023, and it should kick into high gear by 2024.

Earlier this year, Spherical Insights estimated that the [global renewable energy market](#) was valued at US\$881 billion in 2021. This market researcher projects that this market will achieve a valuation of US\$1.93 trillion by 2030. That would represent a strong compound annual growth rate (CAGR) of 8.5% over the forecast period.

Should investors be encouraged by Algonquin's recent earnings?

Algonquin Power & Utilities unveiled its third-quarter fiscal 2022 earnings on November 11. It delivered revenue growth of 26% to \$666 million. Meanwhile, adjusted net earnings declined 41% to \$73.5 million or 25% to \$0.11 on an adjusted per share basis. EBITDA stands for earnings before interest, taxes, depreciation, and amortization. This company last posted adjusted EBITDA of \$276 million — up 10% from \$252 million in the prior year.

On the business side, Algonquin is nearer to closing its Kentucky Power Acquisition. When this transaction closes, it will significantly bolster Algonquin's United States regulated footprint. Leadership is also excited about the signing of its inaugural asset-recycling transaction and the contribution that it can make in 2023.

This company will be forced to tackle headwinds in the final quarter of fiscal 2022, and these issues will likely bleed into the next fiscal year.

Algonquin: Is this stock worth buying on the dip today?

Shares of Algonquin are currently trading in favourable value territory compared to its industry peers. Relative Strength Index (RSI) is a technical indicator that measures the price momentum of a given security. This renewable energy stock last had an RSI of 27. That puts the stock in technically oversold territory. It has spent most of its time in oversold levels since the middle of September.

Algonquin stock last paid out a [quarterly dividend](#) of \$0.181 per share. That represents a monster 9.9% yield. Investors should prepare for volatility in the near term. However, I'm still looking to snatch up shares of this stock for the long haul.

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