



## Why I'm Buying Algonquin

### Description

When the market turns lower, some of the best stocks on the market come along for the ride. One of those great stocks is **Algonquin Power & Utilities** ([TSX:AQN](#)), which is down by over 50% in 2022. Despite that drop, here's why I'm buying Algonquin, and why some investors should consider buying the company, too.

### Let's put it into perspective

Let me start by stating the obvious. The overwhelming majority of the market is trading down in 2022; it's not just Algonquin. Rapidly rising interest rates will impact the *entire* market at some point. And that dip has an increased impact on businesses that are overly reliant on taking on debt to expand.

This is exactly what comes to mind when thinking about Algonquin. Specifically, I'm thinking about the \$2.6 billion acquisition of Kentucky Power, which includes \$1.2 billion in a primarily floating-rate loan.

The fact that Algonquin was forthcoming on the challenges it will face doesn't make it any less of an investment. If anything, it's the exact opposite. Those challenges are something that the market will grapple with in 2023.

Fortunately, even with Algonquin slowing its growth plans, there's still plenty of upside.

Algonquin still operates a very stable and growing utility business. And while the company will need to trim its costs, and quite possibly its very lucrative dividend, it will remain a viable long-term investment.

### What about that dividend?

Yes – Algonquin's juicy dividend. The drop in share price has caused Algonquin's dividend to soar. As of the time of writing, the stock is down over 50% year to date, while the dividend yield has swelled to 10.93%.

That's an insane, if not unsustainable, dividend yield. Even if Algonquin were to slash its dividend in half, it would still offer a very competitive yield, and still one of the better-paying options on the market.

The growing possibility of Algonquin slashing its dividend contributed to the massive drop in the share price. But just like the impact of rising interest rates, there's another perspective for prospective investors to look at.

Algonquin is a long-term investment that pays a *very* generous dividend. Also, the utility business is incredibly defensive, offering some solace from [market volatility](#) like what we've seen this year.

In other words, the long-term appeal of Algonquin more than compensates for a short-term drop in the share price. And until (or even if) Algonquin moves forward and slashes its dividend, prospective investors can take in that juicy dividend while it lasts.

## I'm buying Algonquin as a long-term stock

No stock is without risk, and that includes Algonquin. Fortunately, the remarkable drop in Algonquin's share price is a perfect example of a certain saying about "*being greedy when others are fearful.*"

If you aren't concerned with short-term risk, in my opinion, Algonquin is a stellar long-term pick as part of a larger, [well-diversified portfolio](#). I'm buying Algonquin – what about you?

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1. Energy Stocks
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1. TSX:AQN (Algonquin Power & Utilities Corp.)

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