



Cold Weather = Higher Profits: How Investors Can Profit

Description

With winter upon us, and cold weather taking over the country, many Canadians are forced to rummage through the closets to find their winter clothes and turn up the thermostat. Given the higher heating costs for businesses and individuals, there are a number of utility companies that stand to benefit once again as the demand for power is about to enter the “high season.”

After an incredible year, shares of **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) still offer investors a dividend yield of more than 4.25% and the [potential for capital appreciation](#). After increasing by close to 18% for the past 12 months, shares of this utility company continue to offer a low dividend-payout ratio (as a function of cash flow from operations) when comparing it to historical amounts. After completing a major acquisition earlier this year, investors have had enough time to get comfortable with the financial statements and reporting done by the new entity, and another catalyst may just be around the corner.

Given that shares offer a 52-week high of no less than \$14.35, the next dividend increase (which may not be far off) could push shares above the \$15 mark while maintaining an above-average yield.

The second name for investors to consider is **TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#)). At a price of \$7.50 per share, TransAlta continues to offer investors substantial value. The first reason shares are so attractive is due to the dividend yield, which is in excess of 2%, while the company only pays out an average of 22% of cash flows from operations. Essentially, the dividend yield is very sustainable and could be [raised substantially](#) in the coming year.

The second reason the company is such an attractive investment is due to the diversified operations of the company. With operations in Canada, the United States, and parts of Australia, there is no single risk that can have a material impact for investors. To boot, the company produces electricity from a variety of sources, which includes coal, natural gas, diesel, hydro, wind, and solar. This diversification of energy sources allows TransAlta to guard against the negative effect of a potential ban on coal. Investors can view this as investing with an airbag.

The last key metric that investors will benefit from is the amount of tangible book value that the

company has reported on the balance sheet. Although shares are only \$7.50 each, tangible book value per share is nothing short of \$10.17, according to the most recent financial reports. As the company continues to experience positive cash flows and earnings, the shareholders' equity component of the balance sheet will build, acting as a rising price floor for shareholders. With the potential for a share buyback, investors can still see substantial upside with this name.

If it is a very cold winter, investors have the potential to experience a substantial amount of upside from power producers. Here's hoping Jack Frost comes knocking on the window!

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:TAC (TransAlta Corporation)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:TA (TransAlta Corporation)

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