



1 Alternative Energy Stock to Grow Old With in Your RRSP

Description

Ever feel compelled to break the awkward silence of an elevator ride with small talk? Only after coming off the elevator did I realize the person next to me was holding a “Northland” binder. so I missed my opportunity to talk shop on **Northland Power Inc.** ([TSX:NPI](#)). This is one of the TSX few renewable energy companies that seems to be a favourite on Bay Street. Motley Fool’s [Karen Thomas](#) views this sector as favourable.

At least the elevator ride woke me from my Northland slumber and it is now trading at multi-year lows. Invoking the spirit of one of the finest investors who wrote the oft cited *The Intelligent Investor: The Definitive Book on Value Investing* in asking: “What would Benjamin Graham do?”

Graham tended to invest in deeply discounted companies where the price-to-book ratio (P/B) was severely depressed despite solid business. This old idea of scooping up companies trading below P/B almost never happens anymore because there are so many eager eyes. Although Northland stock price has declined by 18% since the summer high the P/B is still above four and other [valuation metrics](#) suggest the stock is not cheap, giving pause to the notion of dropping into *ultra-value* territory.

It’s possible to find better discounted energy stocks, but assets that include solar, wind and thermal are appealing over a long time horizon. This sector is growing in market share and becoming more cost competitive. Wind farms are only part of Northland’s business, but they seem like a winning bet if done well. How so? Robert Fares wrote that “*Wind Energy Is One of the Cheapest Sources of Electricity, and It’s Getting Cheaper*” based on information from the 2016 Wind Technologies Market Report.

Increasing the the size of the turbine rotors with time is one tangible reason why the cost to produce electricity from wind energy is getting dirt cheap. You’d be hard pressed to find cheaper electricity. No joke! Estimates state that wind farms can generate electricity for 2 cents per kilowatt hour.

You can't just find a windy patch of land and start making out like an electrified bandit. Infrastructure is significant, basically the largest barrier to entry. The list of turbine manufacturers is not long. Wind farms may set volt meters buzzing, but storing the power with batteries is a challenge. Ideally, a wind farm would be close to high electricity usage locations like big cities.

Meanwhile, this sector has benefited from lower equipment costs. Wind turbines are meant to last 20 years, during which time the equipment depreciates as write-down on balance sheets. From 2016 to 2017, Northland reported expenses in the form of depreciation from \$233,000 to \$361,000 a sizable increase of 53%.

The State of Texas is committed. It jumped into wind big time many years ago and is now the top wind energy producer in the USA. Despite reported plans to enter the U.S. back in 2015, Northland's sites have remained north of the border, with newer ventures in Europe and an offshore wind project in the Taiwan Strait due for completion in a few years' time.

Takeaway message

Wind energy is a compelling piece to renewable energy business. On balance, Northland is a solid investment with staying power supplied by chairman James Temerty's leadership and vision. The 5.8% dividend is not the highest in this sector but it is attractive. With the stock price drop and double bottom, now is as good a time as any to pick up this Bay Street favourite.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:NPI (Northland Power Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date

2025/08/14

Date Created

2018/11/04

Author

bmacintosh

default watermark

default watermark