



## Northland Power Inc. (TSX:NPI) Gives You 5% Income With Predictable Growth

### Description

With a 5% dividend yield and a discounted valuation versus its peers, **Northland Power** ([TSX:NPI](#)) looks the part of an undervalued income stock.

For more than 30 years, the company has been building and running independent power projects, which now total more than 2,400 megawatts of production. More than 1,300 megawatts of additional capacity are already under construction.

Today, roughly half of its production comes from renewable sources like wind and solar, with the other half derived from the relatively clean sources of natural gas and biomass.

Lately, Northland Power has been accelerating its growth while boosting its above-average dividend. Looking ahead, there are several reasons to believe this stock will continue to outperform.

### Management is incentivized for success

Several Canadian companies, including [Innergex Renewable Energy](#) and [Brookfield Renewable Partners](#), have focused on tapping the exploding growth of renewable energy, particularly in North America. Northland Power is no different, although it has a unique advantage versus competing stocks: its management team is highly incentivized.

As of last year, Northland Power's management team owned an impressive 34% of the company's stock. No other publicly traded competitor comes even close to this mark. While the company's executives get paid a salary, it's clear that their most lucrative payout will come from a rising share price.

Looking at the stock's history, it's clear that incentives matter. Over the past three, five, and 10-year periods, Northland Power stock has returned 10% or more annually. That's higher than both its peer group and the TSX utilities index.

From 2014 to 2020, management anticipates growing EBITDA by more than 200% cumulatively. Over

the same period, free cash flow is expected to rise by roughly 80%. All of this growth is completely backstopped by projects that are already under construction.

## This is the team to bet on

Independent power producers have acquired a poor reputation in recent years due to their limited visibility versus more regulated utilities. Northland Power's management team has consistently proven that it doesn't deserve this skepticism.

Since 1997, a period that spans 15 new-builds, Northland Power has completed 100% of its projects either on time or ahead of schedule. Every project was also completed under budget, except for the Cochrane Solar project in 2015, which was Northland Power's smallest contract to date.

Long term, Northland Power is gearing up to become an international powerhouse of renewable energy. While most of its projects are currently in the U.S. and Canada, the company has identified ample opportunities abroad in places like Mexico, Thailand, South Korea, and Germany.

In 2018, the company generated just shy of \$900 million in EBITDA. By 2020, management expects that metric to grow by 30%. By 2026, EBITDA is anticipated to grow by 60%.

It's not the most staggering growth, but unlike other stocks, you can bet that Northland Power's management team will put an incredible effort into achieving or surpassing these estimates. Now trading with a 5% dividend, Northland Power seems like the ideal stock for income investors looking to capitalize on stable, highly visible, long-term growth.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:NPI (Northland Power Inc.)

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