



Earn \$300/Month of Passive Income With This Dividend Aristocrat

Description

Scouting around for the ideal stock that could deliver the desired amount of [passive income](#) can be confusing. There are a good number of investment prospects with “buy” ratings by analysts. For would-be investors with a predetermined income stream of, say, \$300 per month, it’s best to look for a growth-oriented stock.

Edmonton, Alberta-based **Capital Power** ([TSX:CPX](#)) is a growth-oriented North American power producer. The \$3.25 billion renewable energy company is performing creditably so far this year. The stock is up 14.3% year to date. But with high-profit expectations in the coming years, income seekers are keenly watching it.

Solid growth on the horizon

Capital Power is often bypassed as an investment prospect in the utilities sector in favour of the bigger, more popular names. But discerning investors do not invest on the basis of popularity. Financial stability and [growth opportunities](#) are their barometres.

The Canadian utility company is holding up nicely against the larger IPPs. Earnings have never been better. Net income in 2018 rose to \$274 million, which is nearly double the profit generated in 2017. For this year alone, the growth estimate is 17%. In the next couple of years, profit could grow by as much as 91.7%.

Capital Power is gaining momentum, but investors should expect modest price growth and not rapid appreciation. The current price of \$30.39 is still within the buying range set by analysts. But passive investors are locked in on the stock because of the high dividends.

The company has been consistently growing dividends and the current yield 6% is safe, sustainable given the payout ratio of 72.13%. More so, Canadian residents who receive “eligible dividends” are entitled to the enhanced dividend tax credit as mandated by Canada’s Income Tax Act.

Transitioning to renewable energy

Capital Power is already transitioning some of the assets from coal to wind and solar energy. Once coal is eventually shut down, the electricity market in Alberta will be robust as electricity prices recover.

The business model is straight forward. Capital Power is focused and dedicated to providing stable and growing cash flows. These objectives are attainable because the portfolio is well balanced, consisting mostly of long-term contracts. The company recently won and was awarded a 20-year wind project contract in the province.

Clearly, the strategy is to create shareholder value. That can be achieved through continued operational excellence, financial strength, and flexibility plus disciplined growth. The current ownership is about 6,000 megawatts (MW) of power-generation capacity in 26 facilities across North America.

Optimistic outlook

Capital Power's business outlook is encouraging for potential investors craving for consistent and juicy returns. All cards are stacked in favour of the company, as it is poised to generate higher cash flows in the coming years. The fundamentals will not change but will further strengthen.

Many have overlooked that the stock is also a hedge against inflation. IPPs pass on the inflation to end users. There is no likelihood of cash flow snags, as it will be uninterrupted and enduring. Capital Power has what it takes to deliver stable income and peace of mind. That is priceless.

CATEGORY

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