



Northland Power (TSX:NPI) Is a Must-Have Dividend All-Star Stock

Description

Companies that pay regular dividends are viewed as staid companies. That is good news when it comes to investing in the long-term. Investors don't want flamboyant companies. They want companies whose routines are predictable.

Investors like to be rest assured knowing that dividends are going to get credited into their bank accounts without fail.

Utility provider **Northland Power** ([TSX:NPI](#)) is one such company. It pays a dividend yield of 4.7% that get distributed every month.

NPI: Key metrics

Founded in 1987, Northland Power is one of Canada's first independent power producers. The company currently generates 2,429 MW of electricity with an additional 399 MW of generating capacity under construction and 1,044 MW in advanced development.

This represents the Deutsche Bucht offshore wind project in the German North Sea and the La Lucha solar project in Mexico. Northland also owns a 60% equity stake in the 1,044 MW Hai Long projects under development in Taiwan.

On September 9, 2019, Northland announced an agreement to purchase a 99.2% interest in Colombian regulated utility Empresa de Energía de Boyacá (EBSA) for \$1.05 billion. This proposed acquisition is Northland's second investment in Latin America and La Lucha.

EBSA is the sole electricity provider to over 1.3 million residents across 123 municipalities. EBSA is expected to contribute an adjusted EBITDA of \$100 million in 2020. It's expected to generate mid-single-digit accretion to free cash flow per share during the current regulatory period ending 2023.

Northland Power gets over 50% of its revenues from sustainable infrastructure assets. Apart from Canada and Latin America, Northland Power also operates power infrastructure in Europe.

NPI: Valuation and growth

NPI has a forward price to earnings (PE) of 12.05, which is similar to the industry PE. Its earnings have an 11.7% growth estimate for the next year. With a 4.7% dividend yield, the company is slightly undervalued and makes for a good buy at these levels.

Northland's sales for the second quarter of 2019 increased 2% to \$344 million from \$338 million in the second quarter of 2018 and gross profit increased 2% to \$322 million from \$315 million. Adjusted EBITDA increased 6% to \$194 million from \$183 million in the second quarter of 2018.

The company expects adjusted EBITDA in 2019 to be in the range of \$920 to \$1,010 million and free cash flow per share in 2019 to be in the range of \$1.65 to \$1.95.

The verdict

NPI is a part of the renewable energy space, which has significant long-term growth potential. Investments in renewable energy are [estimated to reach \\$13 trillion by 2050](#). Several European countries are looking to be energy efficient in the near future.

While this will attract competition, NPI has become a large domestic player over the years and can grow via acquisitions as well.

With a strong focus on green and clean energy and assured revenues that are not dependent on the economy, Northland Power is a very strong stock with a low-beta.

As its green energy component continues to grow, the company is a good stock to have in one's portfolio. The dividend will keep flowing in and demand for the company's businesses will continue to grow.

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Date

2025/09/30

Date Created

2019/09/17

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