# Income Investors: 1 High-Income Utility to Buy Today

## Description

Trying to find stable income stocks has become very challenging. To be sure, there are a number of high-yield value stocks in the oil and gas sector, but those are not exactly in the lower-risk end of the spectrum. You may be able to pick up shares of one of those companies for a song and collect a high yield, but commodity companies are notoriously apt to cut dividends or lose capital on a dime.



The most stable stocks are now trading at very high multiples relative to their growth outlooks. While an argument can be made for the very real possibility of interest rates remaining lower for a long period of time, we all know (think back to last fall) that even "safe" stocks can fall hard if valuations are high when the tide suddenly turns against you.

There must be some stocks out there, though, that have a great yield and strong growth opportunities. These stocks are higher out on the risk spectrum than the traditional utility companies, but they pack a wallop of dividends as well as growth runway ahead of them.

One stock that is a good choice in this space is **Capital Power** (TSX:CPX). It sports a significant yield and has oodles of growth opportunities on the horizon.

This renewable energy-focused company has operations in both Canada and the United States, with 26 operating facilities in those regions. The bulk of its facilities produce power with wind and natural gas, with the remainder from sources like solar, coal, biomass, and more.

The dividend is sitting at a very attractive 6.38% as of this writing, making it an attractive dividend play. That yield recently reached that level to the latest in a string of dividend increases, including the latest increase of 7.3%. Capital Power recently affirmed that increases of around 7% will continue until at least 2021.

Impressively, those dividends are supported by strong earnings growth, with basic earnings per share increased by 69% in Q2 2019 over the previous year. Adjusted funds from operations (AFFO) increased by 12% year over year as well, making this a pretty solid bet as a dividend play. The main dark spot in the report was a 1% decrease in year-over-year revenues, so investors will have to keep their eyes on the numbers to determine future performance.

As an investment, Capital Power is not expensive either. It trades at a trailing price-to-earnings multiple of about 10 times earnings and is just about at its book value.

There are two big issues with the company, however. For one, Capital Power has issued shares from time to time, including a 4,945,000 subscription receipt offering in May. Share offerings like this have the propensity to dilute shareholders ownership of the company as well as increase the strain on the company to pay its dividend.

A second issue is with the company's debt load. The company's net debt currently sits at $3.22 billion, equal to the market capitalization of the entire company. It also represents an increase of 29% in net debt from the end of last year. High debt loads can cause problems if not kept in check, as we have recently seen with other utilities looking to grow.



## The bottom line

Looking into Capital Power proves that there are still great investments out there at a reasonable price. Anyone — retirees, income seekers, and TFSA savers — would do well to own this stock. It's not a buy-and-forget stock, though, with the debt adding a layer of risk that needs to be monitored. If you keep an eye on it, it will likely provide you with growth and income you desire.

**CATEGORY**

1. Dividend Stocks
2. Investing

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. TSX:CPX (Capital Power Corporation)

**PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Tags**

1. Editor's Choice

**Date**
2025/08/22
**Date Created**
2019/09/18
**Author**
krisknutson