1 Top Value Stock with a High Dividend Yield to Buy Right Now!

Description

Good balance sheet? Check. Stable cash flow? Check. Growing dividend? Check.

Capital Power Corporation (TSX:CPX) is a strong dividend player in the energy sector and has recently made some aggressive moves on the back of good financials. It ticks all the boxes that value investors are looking for and should be part of your portfolio.

Capital Power is a $3.3 billion growth-oriented North American power producer from Edmonton, Alberta, that delivers power for communities across Canada and the U.S. The company develops, acquires, owns, and operates power generation facilities across renewable and non-renewable energy sources.

Currently, Capital Power owns nearly 6,000 megawatts (MW) of power generation capacity at 25 facilities. Approximately 900 MW of owned generation capacity is in advanced development in Alberta and Illinois.

Green Energy

The company grew on the shoulders of its coal-powered plants in Alberta but has changed course to renewable and green sources of energy in recent years. Its Whitla Wind project, located on approximately 33,000 acres of land in the County of Forty Mile, Alberta, has a total capacity of 298.8 MW out of which, phase 1, with a capacity of 201.6 MW will be completed in Q4 of this year.

Capital Power also acquired the Goreway facility, an 875-megawatt natural gas facility in Ontario that is contracted until 2029. In June 2019, Capital Power announced that that it would be proceeding with a project that will maximize the flexibility to utilize natural gas as fuel at the Genesee Generating Station (Genesee), which previously burned primarily coal.

The Genesee facility is located in Warburg Alberta, and has three units with 860 MW of combined capacity from units 1 and 2 and 516 MW of capacity from unit 3. The Genesee units are the most efficient and the lowest cost coal units in Alberta, consistently demonstrating superior levels of availability and reliability.

Capital Power has accelerated plans to increase natural gas capability at the Genesee facility and transform Genesee 2 and 1 to 100% dual-fuel optionality by mid-2020 and spring 2021, respectively.

The numbers

Capital Power is trading around $31 per share at writing. Its dividend payouts have grown from $1.31 per share in 2014 to $1.92 per share in 2019. It has now increased dividend payouts for six consecutive years and is consistent with its 7% annual dividend growth guidance until 2021.

Net cash flows from operating activities were $114 million in the second quarter of 2019 compared with $109 million in the second quarter of 2018. Adjusted funds from operations were $85 million in the second quarter of 2019, compared to $76 million in the second quarter of 2018.

The trailing PE ratio is 11.07, the forward PE ratio is 18.65 and the forward dividend yield is 6.3%. All of these figures show that Capital Power is trading at a reasonable valuation given its long-term estimated earnings growth of 14%. It’s little wonder, then, that 10 out of 12 analysts give the stock a “hold” or “buy” rating.

Analysts tracking Capital Power have a 12-month average target price of $33.36, which is 7% above the current trading price. Combined with its strong, contracted merchant portfolio and aggressive acquisition play, Capital Power’s strategy is the perfect fit for investors seeking a strong stock in their portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:CPX (Capital Power Corporation)

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