



## TFSA Investors: 1 Renewable Energy Stock to Add to Your Portfolio

### Description

The world can't live without energy. Good utility companies are always going to be in demand — bonus points if the utility company produces energy from renewable resources. One such stock is **Northland Power** ([TSX:NPI](#)), an Ontario-based power producer and operator. It just reported results for the third quarter of 2019, and the numbers have been good, ensuring that the company doesn't shift from the sensible path it has set out for itself.

Sales for Northland in the third quarter of 2019 increased by 8% to \$378 million from \$350 million compared to the same period in 2018. NPI's gross profit increased 11% to \$356 million from \$321 million. Adjusted EBITDA increased 14% to \$224 million from \$197 million in 2018.

Net income increased 19% to \$111 million from \$93 million in the third quarter of 2018, and free cash flow of \$74 million for the third quarter of 2019 was 16%, or \$10 million higher than 2018.

### Future growth

While its recent results were encouraging, let's take a look at what will drive NPI's sales higher going forward. Northland has been busy this quarter. On September 9, 2019, Northland announced it entered an agreement to purchase a 99.2% interest in a Colombian regulated utility, Empresa de Energía de Boyacá (EBSA), for approximately \$1.05 billion, including existing debt of approximately \$215 million.

The closing of the acquisition is expected in the fourth quarter. EBSA is the sole electricity provider to over 1.3 million residents across 123 municipalities in Colombia and is expected to add \$100 million in adjusted EBITDA in 2020. Northland is expecting a significant boost from EBSA.

Mike Crawley, president and CEO of Northland, said, "EBSA operates under a stable regulatory environment with an inflation-protected perpetual cash flow and is expected to serve as a platform for future growth for Northland in Colombia."

Next, construction on Northland's wholly owned 130 MW solar project in Durango, Mexico, is on schedule. The total capital cost for the project is approximately \$190 million with project completion

expected in the second half of 2020.

Further, all 31 monopile foundation turbines in Northland's 269 MW offshore wind project in the North Sea, Germany, were installed ahead of schedule in August 2019 and were generating power by the end of September 2019.

Full completion of the project may extend into the first quarter of 2020 due to delays in manufacturing. The total estimated project cost remains at approximately \$2 billion. The early completion of the 31 turbines was a key factor in Northland's electricity production increasing by 33% in this quarter and resulted in a \$16 million increase in EBITDA. This will be a key driver of sales for 2019 and beyond.

## The verdict

With a market cap of \$4.85 billion and a dividend yield of 4.56%, NPI is quickly becoming an investor favourite. The company is [focused on growth](#), and controlled aggressive moves (both organic and acquisitions) are starting to pay off. The management seems to know what it is doing, and the result is a stock that is moving upward.

Northland is focusing on North America and Europe: two continents that are at the forefront of the renewable energy charge. As the demand for green energy continues to grow, Northland is perfectly poised to take advantage of it.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:NPI (Northland Power Inc.)

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### Date

2025/09/11

### Date Created

2019/11/11

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