What’s a Good Energy Stock to Buy in January?

Description

Northland Power (TSX:NPI) is based out of Toronto and has a market capitalization of $4.9 billion. Northland has a five-year total return of 78.50% and pays a dividend of 4.3%.

Northland Power has more than $10 billion in energy-producing assets. The company generates electricity through solar, wind, thermal, and soon-to-be-online hydro facilities.

I like Northland Power for several reasons. Canada is shifting towards renewable sources of energy. A May 2017 *Mining and Energy* article described the great speed in which wind energy projects are being developed in the prairies. By developing renewable energy, Northand is keeping pace with the company’s competitors. On the municipal front, Edmonton, Vancouver, Nelson (B.C.), Guelph, and Charlottetown, among many other Canadian cities, have pledged to take steps towards using 100% renewable energy. Northland is taking steps to meet growing demand.

The company’s presence in Europe excites me. Germany wants domestic consumption of energy to 60% renewable 2050. Northland Power can tap into this growing market.

Northland recently purchased a Colombian utility (EBSA) for $1.5 billion. EBSA is the sole electricity provider for 1.3 million customers. One interesting fact about the deal is the grandfathered rights Northland acquired. EBSA had the right to integrate the company’s services vertically. Now, Northland has the right, and it is a competitive advantage over other Colombia service providers.

Some investors consider deeper expansion into Latin America a risk. In the case of energy, I don’t think it is. Energy costs were a contentious issue in recent Ontario politics. The Yellow Vest movement in France is, in part, attributed to high energy costs. Britain has experienced fuel protests. Ecuadorians have protested high fuel costs to the point of challenging the ability of the government to govern.

No government wants high energy costs. If you mess with utilities, you mess with energy rates, and you risk being overthrown.

Northland's financials are solid. The company has good free cash flow and a history of paying high dividends.

Opportunities

More than two-thirds of Canada's renewable energy comes from hydroelectricity. The construction of the Mamora Pump Storage project near Peterborough, Ontario, will put a hydro-electricity feather in Northland's cap. To keep up with the demand for renewables, Northland will have to invest in more pump-storage facilities.

Pump-storage facilities have an advantage that wind and solar do not. Wind and solar have peak and off-peak production. However, currents always flow. If there is insufficient demand for electricity, then the excess electricity can be pumped into a reservoir at a higher location, dammed, and released to rush down to the turbines when there is a peak in demand.

To remain competitive in an energy-hungry world, especially in an energy-hungry Ontario, where high electricity rates hamper the ability of manufacturing to remain competitive, Northland would do well to invest more in pump-storage facilities. One option would be for Northland to team up with a Canadian mining company and see how Northland can re-mediate some old mining sites to create more pump-storage facilities.

Concluding thoughts

Northland pays a high dividend and is expanding the company's global footprint. Most of the company's assets are located in Canada, ensuring a steady supply of revenues. This stock is an excellent opportunity to invest in the next wave of infrastructure that will power economic growth.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:NPI (Northland Power Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/18
Date Created
2019/12/25
Author
rgendron