1 Dividend Stock That Can Gain 20% in 2020

Description

When it comes to investing, you need to identify stocks that have a strong market presence, robust cash flows, and a sustainable growth rate. These stocks, more often than not, are able to beat market returns over a long period of time.

Here we look at one such stock that is poised to rise higher in 2020 in case the bull run continues.

Northland Power

Northland Power (TSX:NPI) is a Canada-based independent power producer. It develops, owns, and operates facilities in Canada and international markets that produce clean and green energy using biomass, natural gas, wind, and solar technology. Europe accounts for close to 60% of sales, while Canada accounts for 40% of sales.

As we know NPI operates sustainable infrastructure assets. It has a well-diversified, modern fleet of high-quality assets and a pipeline of over 1,400 megawatts of visible renewable power projects.

The company is focused on creating high-quality projects, which will drive revenue and deliver predictable cash flows. NPI also wants to invest heavily in jurisdictions where it might gain an early mover advantage and establish a strong presence.

Northland Power owns and operates 2.4 gigawatts of power assets globally.

A billion-dollar acquisition

NPI is set to benefit from the EBSA (Empresa de Energia de Boyaca) acquisition that it announced last September. EBSA is a high-quality regulated asset in Colombia. The acquisition is valued at $1 billion and will help the company gain traction in Latin America. In 2018, NPI identified Latin America as a key development market and also announced its first project with a capacity of 130 megawatts in La Lucha, Mexico.

During the earnings call, Mike Crawley stated, “The acquisition of EBSA is very exciting for us as it provides us with a high-quality business with perpetual and stable cash flow and which operates under a stable regulatory framework.” He added, “We see this as complimentary to our growing portfolio of contracted generating assets and it offers some important diversification. Furthermore, and perhaps more importantly, the EBSA acquisition provides a platform for additional development of new infrastructure in Colombia.”

EBSA will not only provide stable and predictable cash flows but will also diversify the company’s asset base. It reduces concentration risk as well, providing a platform to drive further opportunities in the region.

Revenue, earnings, and valuation

Northland Power has managed to grow sales at an impressive pace over the years. The company’s revenue rose from $1.1 billion in 2016 to $1.55 billion in 2018. Analysts expect sales to touch $1.65 billion in 2019, $2.13 billion in 2020, and $2.16 billion in 2021.

Its assets have grown from $3 billion in 2013 to $10.5 billion in 2018 — an annual growth rate of 28%. The company’s EBITDA growth stands at an impressive 145% between 2013 and 2018, while free cash flow per share grew by 70% in the same period.

NPI stock has a market cap-to-sales ratio of 3.5 and an enterprise value-to-sales ratio of 7.2. The stock is trading at a forward price-to-earnings multiple of 14.7, which is reasonable if we look at its estimated five-year earnings growth of 10.4% and a forward dividend yield of a healthy 4.1%.

NPI stock is up 23.6% in the last year and has gained 73% in the last five years. The company’s strong growth metrics and a juicy dividend yield make it a strong bet for long-term investors.

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