TFSA Investors: Invest $6,000 in This TSX Dividend Stock Right Now!

Description

No one knows how the rest of 2020 is going to pan out. Companies that have declared somewhat decent first-quarter results have cautioned that Q2 numbers may be grim. After all, Q1 saw COVID-19 come into play in the second half of March, while Q2 has started off with a lockdown in most countries around the world.

This has resulted in a stock market pullback providing Tax-Free Savings Account (TFSA) investors to buy companies at a lower valuation.

When the future is unpredictable, it makes sense to look at regulated utility companies with steady incomes, irrespective of a pandemic or a recession (which is sure to follow in the wake of COVID-19). The TFSA contribution limit for 2020 stands at $6,000 and Canadians can consider this utility giant for solid returns.

The stock that I am going to recommend you buy has a dual benefit of having a steady revenue stream and a high dividend to boot. **Capital Power Corporation** (TSX:CPX) is headquartered in Edmonton, Alberta, and owns and operates power generation facilities using a variety of energy sources. Currently, the company owns over 6,460 megawatts (MW) of power generation capacity across 28 facilities.

Q1 meets expectations

Capital Power reported its first-quarter figures for 2020 on May 4 and the numbers met expectations. Revenue for the first quarter clocked in at $533 million, up 34% compared to the first quarter of 2019. This boost is due to the acquisition of Goreway in the second quarter of 2019. Adjusted EBITDA was $234 million, up 16% from Q1 of 2019, again due to the Goreway acquisition.

EBITDA generated in the first quarter shows the company is on track to meet its projected annual target between $935 million to $985 million.

Adjusted funds from operations (AFFO) was $118 million, a million dollars more than AFFO compared to the prior-year period. Capital Power also generated over $300 million in discretionary cash flow in Q1.

Brian Tellef Vaasjo, President, CEO & Director of Capital Power sees no reason to change guidance for 2020. He said, “Overall, our first-quarter results were solid and were in line with our expectations. With no material changes to our outlook, we are maintaining our financial and dividend guidance for 2020.”

It was business as usual for Capital Power as it acquired a 100% ownership interest in Buckthorn Wind, a 100.5-megawatt wind facility, from private investors in March. This project is contracted with 15 years of weighted average remaining contract life. The company has also completed the construction of the 150 megawatt Cardinal Point Wind project on schedule.

Capital Power has also signed an agreement with Vestas for a 10-year extension of its long-term service agreements (LTSA). On an annual basis, the company expects the new LTSAs to increase EBITDA and AFFO by $8 million and $6 million, respectively, between 2021 and 2023.

Dividend powerhouse for your TFSA

Capital Power is one of the few companies to have declared a dividend during this pandemic. It declared a dividend of $0.48 per share on the outstanding common shares for the quarter ending June 30, 2020. At Capital Power’s current price of $26.33, the forward yield is almost 7.5%.

This alone is a reason to pick up the stock. If TFSA investors allocate $6,000 to this stock, it would generate close to $450 in annual dividends.

Analysts have given it a price target of $34.3 in a year for an upside of 30%. The stock is a screaming buy.

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2. Investing

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