



Got \$4,000 to Invest? Buy This Renewable Energy Stock Today!

Description

COVID-19 has made 2020 quite interesting so far for investors looking to shift their portfolios or make new investments at decent valuations. With that in mind, I set out to find a company that has not only been able to weather the storm but also post stellar earnings. I believe with share price appreciation, strong dividend history, and earnings, **Northland Power** ([TSX:NPI](#)) is the stock to buy right now.

Milking the green trend

With oil and gas in turmoil, investors have sought a safe haven through investing in renewable energy sources. This means you may have to pay a premium to pick up shares. Thankfully, due to COVID-19, [share prices have come down to create an opportunity to buy low](#).

[According to Deloitte](#), renewable energy outpaced coal in 2019 by providing 23% of U.S. power generation compared to coal's 20% share. This is due to declining costs in the industry and rising capacity factors. Onshore wind and solar costs declined by 10% and 18%, respectively, while offshore wind costs were reduced by 24% year over year. The most notable variance according to Deloitte is the reduction in costs for battery storage, representing a 35% decrease. This makes investing in solar and wind more attractive, as lower startup costs of projects will increase the return on investment directly.

In general, the weighted construction costs of wind and solar has decreased by 37% from 2013 to today. Northland Power is set to benefit highly from cost reduction, as the company focuses on offshore wind projects.

Recent earnings

Northland Power reported first-quarter earnings, and it is clear the company is firing on all cylinders. NPI reported a sales increase from \$499 million to \$668 million, representing an increase of 34%. Profit has followed by increasing 35% from \$459 million to \$619 million. Similarly, EBITDA increased by 43%, free cash flow increased by 39%, and net income increased by 35% quarter over quarter.

Northland attributes the increase in financial strength from projects coming online, such as the Deutsche Bucht 253 MW project and the EBSA utility acquisition of assets in Columbia.

Outlook

Northland Power continues with other global projects. The company is constructing a solar project in Mexico that is on schedule and on budget. The company also acquired a qualified supplier licence, which is required by regulators to operate in Mexico. This licence creates a path for Northland to market current and future projects.

Northland Power continues to develop the Hai Long 2b and Hai Long 3 sub-projects in Taiwan. The projects are expected to come online later in 2020, and the company is currently finalizing offloading contracts with the Taiwanese government. In addition, Northland expanded further into Asia with the acquisition of Dado Ocean. Dado Ocean is a South Korean Offshore Wind project in early stage development and will progress over the coming years.

Foolish takeaway

Northland Power has a track record of finishing projects on time and under budget, which has led to continuously generating stellar earnings. With global trends supporting offshore wind projects, Northland continues to generate strong free cash flow for shareholders, which is paid back in dividends. As of writing, the dividend yield is 4% per year, and I wouldn't be surprised if it were increased in 2021. Buy today, because Northland Power is just getting started.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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