Want to Be Richer? Add $1,000 to This Stock This Instant

Description

The stock market crash was only in March, but it feels like it happened such a long time ago (at least to investors whose investments have recovered swiftly). For all others, especially those who lost a substantial portion of their capital growth because the underlying stocks still haven't recovered yet, the market crash will be a haunting memory for years to come.

Still, one of the benefits of the "lingering" effects of the pandemic-driven crash and slow recovery (for certain stocks) is that you still have the chance of buying good companies at great prices. Many stocks that are slow to recover are having trouble attracting investors, but many of them are fundamentally strong, and given enough time, they are likely to pay off big.

One such stock is **Capital Power** (TSX:CPX).

The company

Capital Power is a $3 billion market cap energy producer that focuses on sustainable energy. The bulk of the company's revenue generation is from natural gas, coal, and renewable power sources. Although coal is still a major part of the mix, the company has drastically reduced its coal dependency in the past five years and is planning to get rid of this fuel source altogether in the future.

Till last year, the company had the capacity to produce 6.2 GW of power (through its 26 facilities), with 800 MW under development. For renewable energy, the company mainly focuses on wind farms. But it also has a functional solar power plant, two waste heat, and one landfill power plant that are currently operational.

The second-quarter results were not as awful as the current valuation of the company might make you think. The revenue and adjusted EBITDA grew compared to the second quarter last year, though net income cut down to just one-fourth. One of the reasons that the stock and net income took such a hit might be the company's customer base, which mostly comprises of commercial and industrial entities.

$1,000 investment

There are two reasons why $1,000 invested in Capital Power may have tremendous upside potential. One is its dividends. This Dividend Aristocrat (with six years of dividend increases under its belt) is currently offering a mouthwatering yield of 7.17%, which means $71 a year in dividends. The payout ratio is presently very shaky, but the fact that the company hasn't slashed its dividends yet is a good sign. Its dividend-growth rate is also decent enough.

The second reason is its capital growth potential, which shone powerfully, at least before the market crash. The company grew its share price by almost 100% in the past five years (before the crash). This growth potential, combined with such a juicy yield, makes for a compelling reason to put your money on this company.

Foolish takeaway

Capital Power's balance sheet is strong enough, but a huge amount of debt is a bit troublesome. The company is also tied up with a lot of expansion projects. But the company has the potential to grow, and as the economy strengthens (empowering commercial and industrial sector), Capital Power's income is likely to be rejuvenated.

CATEGORY

1. Dividend Stocks
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