



RRSP Investors: Here Is North America's Best Dividend Stock

Description

Capital Power ([TSX:CPX](#)) is a growth-oriented, North American, [independent power producer](#) headquartered in Edmonton, Alberta. The company develops, acquires, owns, and [operates power-generation facilities](#) using a variety of energy sources. Capital Power owns approximately 6,300 megawatt (MW) of power-generation capacity and has approximately 850 MW under construction or in advanced stages of development.

The company has a price-to-earnings ratio of 14.85, price-to-book ratio of 1.87, dividend yield of 5.62%, and market capitalization of \$3.85 billion. Debt is opportunistically used at Capital Power, as evidenced by a debt-to-equity ratio of 1.21. The company has excellent performance metrics with an operating margin of 32.99% and a return on equity of 10.28%.

Capital Power's power-generation fleet had a capacity weighted average facility age of 13 years and is diversified across three Canadian provinces and six states in the United States. The company owns approximately 2,598 MW of power generation capacity in Alberta, with ownership interests in eight facilities.

Capital Power sells some of the power generated by the company's Alberta power facilities and most of the power generated by the company's power facilities outside of Alberta on a contracted basis to arm's length third parties. The company's merchant power business is focused on Alberta. Capital Power continually seeks opportunities to acquire or develop contracted, larger scale, natural gas-fired, and renewable power-generation facilities in Canada and the U.S.

The company's Albertan commercial facilities consist of ownership interests in six facilities representing 1,550 MW of power-generation capacity. The facilities generate electricity from coal, natural gas, wind, and landfill gas. The output of the Albertan facilities is managed on a portfolio basis by Capital Power's commodity portfolio management group.

Output from these facilities is sold into the deregulated Alberta power market. Capital Power seeks to maximize earnings from Alberta commercial facilities by achieving high availability and production levels from the facilities and by actively managing the portfolio's commodity price exposure relative to

market price views.

The Ontario and British Columbia contracted facilities consist of generation facilities for which Capital Power sells all output of the facilities to provincial government entities pursuant to long-term contracts. The Ontario and BC contracted facilities consist of ownership interests in nine facilities representing approximately 1,731 MW of power-generation capacity. The facilities generate electricity from natural gas, wind, and waste heat.

Capital Power's commodity portfolio is comprised of exposures resulting from ownership of generation assets or transactions with other market participants. These exposures include electricity, natural gas, and environmental commodities. All commodity risk management and optimization activities are centrally managed by Capital Power's corporate group. Portfolio optimization includes activities undertaken to both manage Capital Power's exposure to commodity risk and enhance earnings.

Overall commodity exposure within the portfolio is managed well within risk limits. Capital Power takes specific and limited positions in the power, natural gas, and environmental commodities markets outside of Alberta to manage portfolio risk and maintain capability to support Capital Power's growth strategy.

Overall, Capital Power is a safe stock in a boring industry and trades at a depressed valuation.

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2. Investing

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1. dividend

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