
2 Quality Stocks to Buy for Pricing Power and Lasting Income

## Description

Investing during the pandemic requires financial smartness and market insight. The **TSX**, for example, continues to rally notwithstanding the new COVID-19 variants. People's confidence is high because they anticipate many businesses to rebound when economic recovery shifts to a higher gear in the second half of 2021.



Would-be investors need to pick carefully the sectors that will benefit in the reopening phase. **Canadian Western Bank** (TSX:CWB) and **Capital Power** (TSX:CPX) are less popular than, say, the **Toronto-Dominion Bank** and **Fortis**, but both are quality stocks too. The stocks may be second-liners in their respective sectors but they possess pricing power and can deliver lasting income.

# Top regional bank

The Big Six banks in Canada impressed investors with their stellar earnings results in Q2 fiscal 2021. Nearly all of them are cash-rich after reporting exponential increases in profits and significantly diminished provision for credit losses (PCLs). Meanwhile, Canadian Western Bank's most recent quarterly results surpassed expectations.

President and CEO Chris Fowler, said, "As the economy recovers, we will be well-positioned to accelerate our growth and capture increased market share through our continued expansion in Ontario." Fowler also disclosed that CWB's second full-service banking center would open in fiscal 2022.

In Q2 fiscal 2021 (quarter ended April 30, 2021), the $3.03 billion bank reported a 15% increase in revenue and a 40% jump in common shareholders' net income versus Q1 fiscal 2020. Other financial highlights include a 7% loan growth and an 18% rise in branch-raised deposits.

CWB's core strength is its expertise in equipment financing. Management expects many businesses to restart or expand operations in a rebounding economy. The bank is ready to extend funding solutionsto business owners and entrepreneurs. At $34.80 per share, the dividend yield is 3.33%. Analysts saythe stock's potential upside is 24%.

## Recession-resistant IPP

Capital Power is a rock-steady dividend payer. The $4.69 billion independent power producer (IPP) boasts a low-risk business model. One compelling reason to invest in this IPP is that it's growth-oriented. Management's goal is to deliver long-term value, protect the environment, and help communities thrive.

At $40.95 per share, the dividend yield is 5.01. Capital Power's dividends should be safe and sustainable given that most of its power generation assets are contracted, and power purchase agreements (PPAs) in North America are long-term. Moreover, the average economic life of its relatively young utilities is 14 years.

Expect Capital Power to be at the forefront of the latest electrification trends and the shift towards renewable energy generation.  Canadian investors should support this utility firm as it pursues the goal to net carbon neutral by 2050. increasing renewables and strategic natural gas investments, management aims to complete repowering and be off coal by 2024.



The business outlook is encouraging, given the consistently increasing revenue over the last four quarters. In Q1 2021 (quarter ended March 31, 2021), Capital Power generated net income of $101 million and adjusted EBITDA of $303 million and $101 million in net income.

## Not undercards

Canadians should start paying attention to the Canadian Western Bank and Capital Power. They might appear as underdogs in the main event, but both are Dividend Aristocrats like their more famous counterparts. If you want to safeguard your investment and earn lasting income, add one or both to your stock portfolio.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. TSX:CPX (Capital Power Corporation)
2. TSX:CWB (Canadian Western Bank)

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