Passive-Income Alert: This Dividend Stock on the TSX Could Help You Beat Inflation

Description

The primary goal of investing your savings in a diversified pool of asset classes is to beat inflation rates over the long term. This will allow investors to increase purchasing power and secure retirement goals. While interest rates are near record lows, equities remain the top bet for investors. Further, Canada has several blue-chip stocks that provide tasty dividend yields, allowing you to benefit from a steady stream of passive income as well as capital gains.

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One such TSX company is **Capital Power** (TSX:CPX), a dividend stock I bought last month. Capital Power develops, acquires, owns, and operates power-generation facilities in Canada and the United States. It generates electricity from various energy sources such as natural and landfill gas, coal, wind, waste heat, solid fuels, and solar. The company owns 6,400 megawatts of power-generation capacity at 26 facilities.

Capital Power has a forward yield of 5%

Capital Power is a growth-oriented wholesale power producer in North America. It builds, owns, and operates utility-scale generation facilities, including renewables and thermal. There are few projects that are in advanced development stages that include 425 MW of renewable generation capacity in North Carolina and Alberta and 560 MW of natural gas combined cycle capacity in Alberta.

Capital Power has a young fleet with long asset lives. The average age of its generation fleet is 14 years. The company claims to have an ownership interest in the most competitive fleet of assets and a strong pipeline of growth opportunities in targeted markets. CPX is also looking to expand its base of renewable energy assets. In 2020, around 27% of adjusted EBITDA was derived from renewable energy.

Capital Power stock pays investors a dividend of $2.05 per share each year, indicating a tasty dividend yield of 5%. It expects to increase dividends by 7% in 2021 and by 5% in 2022. Further, CPX stock has also risen by 111% in the last five years, making it one of the top dividend performers on the TSX.

Strong Q1 results

Capital Power reported revenue of $554 million in Q1 of 2021, up from $533 million in the year-ago quarter. Its adjusted EBITDA rose from $234 million to $303 million in this period. Comparatively, adjusted earnings per share more than doubled to $0.64 in Q1 of 2021, up from just $0.27 in Q1 of 2020.

Capital Power's adjusted funds from operations rose from $118 million to $159 million, while AFFO per share rose from $1.12 to $1.49.

In the March quarter, Capital Power landed a 15-year renewable energy agreement with Labatt Brewing Company. It also inked a 15-year renewable energy agreement for the sale of electricity and renewable energy credits. The company expects the forecast for 2021 to be above the top end of its guidance range due to higher forward prices in Alberta.

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In its Q1 press release, Capital Power CEO Brian Vassjo said, "Our first-quarter results benefitted from excellent operating performance across the entire fleet with average facility availability of 96% and a solid contribution from our trading desk that captured an average realized Alberta power price of $77 per megawatt hour (MWh) in the quarter."

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