



1 Renewable Power Stock Is Powered Up

Description

Renewable power stocks saw a rebound lately. In particular, **Northland Power** ([TSX:NPI](#)) stock just experienced a four-day rally that witnessed the dividend stock rising more than 13%. In early 2022, it based around the \$35-per-share level and appreciated over 18%. On February 28, McAlinden Research provided some [insights](#) on the drivers of the latest pop:

“Severe storms across the European continent have driven wind energy output in the E.U. to record highs throughout the last week. That much-needed renewable output comes as the continent continues to struggle with a severe crunch in oil and gas markets. Amid an escalation of the Russia-Ukraine conflict, this situation is unlikely to be resolved any time soon.

That boosts the prospects of alternative energy sources like wind, which continues to pique the interest of investors. India, which relies heavily on fossil fuels, announced it is looking to meet its energy demand by developing 30 gigawatts of offshore wind installations by 2030. Meanwhile, the U.S. is auctioning off massive plots of ocean off the coasts of New York and New Jersey for offshore wind farms, which are expected to shatter wind energy investment records.”

McAlinden Research

When NPI stock was below \$36 per share, Christine Poole thought it was a good buy:

“The whole sector hasn’t done well in the past year. But this current pullback is an opportunity. NPI is a leader in offshore wind energy. We own other names in green energy. This is a decent investment, though.”

Christine Poole, managing director at Globe Invest Capital Management

A quick overview of Northland Power’s business

By operating capacity, [Northland Power](#) is the fourth-largest global offshore wind operator. It has gross production capacity of 3,240 MW across its renewable power portfolio, including offshore wind, onshore wind, and solar generation. It plans to double that capacity to 6.5 GW by 2027. It has operating or developing assets in North America (Canada, the U.S., Mexico), South America (Colombia), Europe (Spain, Poland, and offshore wind generation in the North Sea), and Asia (Taiwan, Japan, and South Korea).

About 37% of its renewable energy stock's power generation is from offshore wind, 26% is onshore wind, 30% is natural gas, and 8% is solar.

Recent results

On February 24, Northland Power reported strong fourth-quarter results:

- Sales growth of 30% year over year to \$640.1 million
- Gross profit increase of 33% to \$579.9 million
- Operating income rose 67% to \$295.5 million
- Adjusted EBITDA, a cash flow proxy, growth of 35% to \$363.6 million
- Operating cash flow of \$559.4 million, up 80%

Its full-year 2021 results are as follows:

- Sales growth of 2% versus 2020 to \$2,093 million
- Gross profit increase of 1% to \$1,880 million
- Operating income dropped 10% to \$809 million
- Adjusted EBITDA decline of 3% to \$1,137 million
- Operating cash flow of \$1,609 million, up 22%

The Foolish investor takeaway

Utilities normally have high debt levels, but Northland Power's debt-to-assets ratio of 77% is at the high-end of the spectrum. This suggests that the utility is a higher-risk utility. It has also maintained the same monthly dividend since 2018. However, it is focused on growth and has a track record of bringing projects from the development stage to fruition. Since 2018, the stock has generated market-beating annualized total returns of almost 18%. Currently, it yields 2.9%, and analysts believe the dividend stocks could climb about 10% over the next 12 months.

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