Capital Power (TSX:CPX): Is the Defensive Stock a Good Buy Right Now?

Description

Canada's inflation rate jumped by a staggering 1% between February and March 2022 to hit a 31-year high of 6.7%. Various factors have contributed to and continue to drive inflation rates higher. The Russia-Ukraine war began in February after Russia invaded Ukraine on February 24, and the development has cascaded into various macroeconomic issues on a global scale.

The global supply chain issues, oil price hikes due to sanctions, and growing worries because of more COVID-related restrictions in China are problematic. These macroeconomic factors tend to have a negative impact on equity security markets. Many Canadian investors prefer moving their money out of stocks to more liquid assets to mitigate the impact of a downturn during volatile market environments.

However, keeping your capital liquid when the inflationary environment is worsening might be counterproductive for that goal. Cash does not appreciate as much as other asset classes, and it tends to lose its value due to inflation.

Investing in dividend stocks could provide you with a better hedge against market inflation by delivering reliable cash distributions. Stock market investing is inherently risky, but it does not mean that the entire stock market entails significant capital risk.

The TSX boasts several high-quality stocks that stand to benefit from inflationary environments. The key is finding and investing in defensive income-generating assets that could offer you the hedge you need to counteract these issues.

Today, I will discuss a stock releasing its first-quarter results for fiscal 2022 soon to help you identify an income-generating asset you could consider adding to your investment portfolio.

Capital Power

Capital Power (TSX:CPX) is a $4.92 billion market capitalization independent power-generation company headquartered in Edmonton, Alberta. The company develops, acquires, owns, and operates a diversified portfolio of power-generation facilities. Capital Power owns and acquires renewable and thermal power-generation facilities.

It also generates electricity from natural gas, waste heat, solar, coal, and wind-powered facilities. The company owns 26 facilities that boast a substantial 6,600-megawatt power-generation capacity. Capital Power stock has delivered 127% in returns to its shareholders over the last five years after adjusting for shareholder dividends.

Capital Power stock will release its earnings report for the first quarter of fiscal 2022 before the markets open on May 2, 2022. The company's management will host a conference call with analysts on the same day to discuss its first-quarter operating and financial results.

Foolish takeaway

The company's performance has been stellar in the last few quarters. Capital Power is focused on acquiring mid-life contracted natural gas assets with a greater likelihood of re-contracting.

The company executed a six-year tolling agreement extension for its second natural gas facility in the fourth quarter of fiscal 2021. Its operating cash flows stood at $185 million, and its adjusted funds from operations were at $149 million.

Capital Power stock should distribute $63.5 million in dividends to shareholders in Q1 for fiscal 2022. The defensive stock looks well positioned to deliver on that potential. If you want to add a defensive income-generating asset to your portfolio, Capital Power stock could be an ideal investment.

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