



## This Stock Has Delivered a Gain of 85.3% Over 3 Years – Should You Buy It?

### Description

The rising interest rate environment might extend longer than expected, to two years at the earliest. Some analysts even predict that Canada will experience some level of recession in 2023. **TD Economics** projects inflation to fall to 2.1% in 2024 before returning to the Bank of Canada's target of 2% in 2025. The bank adds that it should remain steady at that level until 2027.

Meanwhile, [fear-stricken investors](#) continue to search for [safer stocks](#). If you're looking for capital growth and rock-steady dividends amid today's uncertainties, one fascinating prospect is **Capital Power** ([TSX:CPX](#)). The utility stock has gained more than 85% in three years and pays a fat 4.95% dividend.

### A dividend king

Edmonton-based Capital Power is a growth-oriented power producer with strong commercial relationships in North America. Commercial, large industrial, government, and institutional customers form the client base of this \$5.5 billion company. Currently, it has 28 operating facilities with a combined power capacity of 7,400 MW. Management's primary strategy is to drive future growth through green power.

The plan is to develop, acquire, and optimize renewable power generation assets. It also includes acquisition and/or optimization of natural gas assets. Capital Power's leadership position in Alberta's power market is also a competitive advantage.

The construction of all-new, carbon capture and/or hydrogen-ready natural gas generation units is ongoing as part of its aim to achieve net carbon neutral by 2050.

Going forward, the cash flow from long-term, forward contracts should support dividend growth. CPX earned dividend aristocrat status owing to nine consecutive years of dividend increases. The latest annual increase for the common share dividend was 6%.

## Higher power output

Brian Vaasjo, President and CEO of Capital Power, said, "Higher generation and strong Alberta power prices averaging \$106 per megawatt hour along with outstanding performance across the fleet led to exceptional performance in the first half of the year." In the six months ended June 30, 2022, net income increased 66% year over year to \$196 million.

Vaasjo also said, "Second quarter financial results continue to exceed management's expectations." For Q2 2022, revenues increased 84% to \$713 million versus Q2 2021. Notably, net income for the quarter climbed 353% to \$77 million compared to the same quarter last year.

Capital Power's CEO further adds, "We continue to execute on our strategy of acquiring mid-life contracted natural gas assets that are strategically positioned within their power markets." Management announced an agreement to acquire a 50% interest in the Midland Cogen facility. **Manulife** Investment Management is the partner in this endeavour.

## Higher dividend guidance

Capital Power's financial results reflect in the stock's performance. At \$47.60 per share, the year-to-date gain is 25.2%. If you invest today, prepare to receive growing passive income. Management plans to increase dividends by 6% annually through 2025 based on the expected strong contracted cash flows from the Midland Cogen facility.

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**Date**

2025/08/15

**Date Created**

2022/10/05

**Author**

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