Why TransAlta Renewables Inc. Is on My Watch List

Description

Renewable energy companies are an interesting type of investment. They represent the future of energy production, where production takes into consideration the impact of the environment and uses renewable energy sources in place of fossil fuels.

Up until recently, the cost of harvesting energy from renewable sources has been both expensive and inefficient. With the recent volatility in the price of oil, there has been a real push towards renewable energy sources, which has brought prices down.

Impressively, renewable energy sources have been growing at an impressive rate and now over half of new capacity is being added on a global basis.

One company that I'm considering in this sector is **TransAlta Renewables Inc.** (TSX:RNW). Here's a look at TransAlta and why you should consider investing in the company as well.

How is TransAlta doing?

TransAlta currently trades at $12.97, just shy of the 52-week high of $13.20. Year-to-date the company is up by an impressive 25%, which is bettered only slightly when looking two years out to nearly 30%.

The company has a very impressive monthly dividend of $0.07 per share, which–at the current stock price–gives TransAlta a yield of 6.78%. For some investors, the dividend may be reason enough to consider investing in the company.

TransAlta's recent results

In the most recent quarter, TransAlta posted $68 million in revenue, which matched performance year over year. Comparable EBITDA came in at $114 million for the quarter compared to $55 million posted in the same quarter last year. The difference comes as a result of the acquisition of the economic interests of parent company **TransAlta Corporation** in both Australia and in Canada. Additionally, increased wind volume across western parts of the country and in Wisconsin contributed to the difference.

In terms of energy production, the company noted 1,081 GWh of electricity produced, bettering the 958 GWh for the same quarter last year.

Looking to the future

Climate change is now widely acknowledged and both businesses and governments are scrambling to adopt policies that take that change into consideration. Alberta announced a climate change plan that called for increased renewable energy sources earlier this year, and, more recently, Ontario announced a similar plan.

Renewable energy companies such as TransAlta have a competitive advantage over traditional fossil-fuel companies in this regard, as all of the company’s power-generating facilities are already renewable and will more than likely adhere to any new climate change policies.

TransAlta has several new developments currently underway with most coming online within the next 12-18 months. The South Hedland Power Project in particular represents a 150 MW combined cycle power station that will serve Western Australia once complete.

In my opinion, TransAlta represents a great option for those investors looking to diversify their portfolio with a renewable energy stock. As the importance of renewable energy increases, so too will the interest and price in investing in companies like TransAlta. Until that time, investors can benefit from the more than ample dividend the company offers.

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1. Editor's Choice

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1. TSX:RNW (TransAlta Renewables)

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