



Boost Your Portfolio With TransAlta Renewables Inc.

Description

For the longest time, renewable energy investments have been considered as responsible way to invest in the future of energy production, but sadly renewable energy providers have not been able to meet the results of the fossil-fuel-burning competitors in the energy sector.

Fortunately, this is a viewpoint that has been drastically changing over the past few years to the point that some renewable energy providers are much better investments than their fossil-fuel peers.

One such company that has attracted a lot of interest of late is **TransAlta Renewables Inc.** ([TSX:RNW](#)).

Here's a look at the company and why you should consider adding it to your portfolio.

Meet TransAlta Renewables

TransAlta is a wholesale marketer and generator of power with assets worth over \$9 billion. The company has been generating power for well over 100 years and has an impressive portfolio of over 70 facilities in Australia, Canada, and the U.S.

In terms of a renewable energy portfolio, TransAlta has gas-, hydro-, solar-, and wind-generating facilities, which not only give the company a wide moat of renewable energy sources, but also mean that the company is fairly scalable to build renewable energy sources when needed.

This scalability is an advantage that TransAlta has over other renewable energy companies that only cater to a limited number of power-generation options.

In the most recent quarter the company posted revenue of \$68 million, unchanged from the same quarter last year. Net earnings attributable to common shareholders came in at a \$36 million loss for the quarter compared to net earnings of \$20 million in the same quarter last year. This decrease was attributed primarily to foreign exchange losses of the company's foreign assets.

The renewable advantage

Investors looking for a reason to invest in TransAlta should consider the growing number of jurisdictions around the world that are implementing carbon policies that limit fossil-fuel emissions. Alberta and Ontario already have strict rules in place that outline specific timelines for near-zero emissions; this represents a growth opportunity for TransAlta.

Alberta's carbon policy requires that some fossil fuels be replaced or reduced to zero emissions by 2030; given the current needs of the province, this could mean an additional 4,000 MW of power. TransAlta already has facilities in Alberta, and the company has noted in the past that generation in the province could be doubled through a redesigning of some existing hydro-power plants and an updating of turbines in existing wind-power facilities.

TransAlta hasn't yet started on these upgrades, opting to wait for the right market conditions.

TransAlta currently trades at \$14.09. The company pays out a monthly dividend of \$0.07 per share, which—at the current stock price—gives the company a very healthy yield of 6.25%. In terms of stock growth, year-to-date TransAlta is up by 35%, and looking out over a longer term shows this growth has reached 41% over the past five years.

The service that power generators provide is often taken for granted and is therefore passed over by many investors, but the truth is that power generation on the whole remains a highly regulated yet profitable enterprise for investors. Rates at which electricity is sold are typically locked in or set up to float between ceiling and floor levels, which can make an electricity generator seem more like a toll-booth operator to investors.

In my opinion, TransAlta Renewables represents a great opportunity for investors looking for both long-term growth and strong dividend income.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:RNW (TransAlta Renewables)

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Author

dafxentiou

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