



Power Your TFSA With These Renewable Energy Stocks Today

Description

If you're a morally conscious investor who's looking for a way to profit off a socially responsible business, then Canada's renewable energy stocks are right for you. Not only are your funds going towards accelerating the transition to sustainable sources of energy, but you're poised to receive a growing stream of dividends to go with above-average capital gains, resulting in optimal total returns for the long haul.

Whether you need the monthly income from a high-yielding security or if you'd rather reinvest every penny to swell your TFSA at a quicker rate, I'm sure you'll find that renewable energy stocks can sustainably power your portfolio's returns over the long haul.

Let's have a closer look at two fairly valued renewable stocks, **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) and **Northland Power Inc.** ([TSX:NPI](#)), to see which is the better fit for your TFSA at current levels.

Algonquin Power & Utilities

Algonquin is down ~10% and trades at just 24.9 times trailing earnings. Although the stock may still seem pricey at current levels, it's worth noting that for the price you'll pay, you're receiving a rock-solid portfolio of regulated utilities and contracted renewables, providing investors with a stable, nearly guaranteed income stream and an above-average dividend-growth rate.

In addition to stability, you're getting a wonderful project development pipeline with enough financial flexibility to potentially support future acquisitions. The company's recent Q4 2017 results saw a solid beat on the earnings front with \$233.4 million in adjusted EBITDA, beating analyst expectations of \$207 million.

At \$12 levels, you're getting a low-risk/high-reward stock with a ~4.7% dividend yield and a significant margin of safety. The stock is slightly undervalued versus historical averages on most traditional valuation metrics, including forward price-to-earnings, price-to-book, and price-to-cash flow multiples.

Northland Power

Northland is a renewable energy stock that I believe has been overlooked by many investors, mainly because capital gains have been meagre relative to its peers in the space. Long-term holders of the stock were not left empty-handed, however, as the stock has a solid ~5.4% dividend yield that's crushed "safest" income investments, like bonds.

The stock has struggled to break past \$25 levels and is now down 11% from its August 2016 all-time high. The stock definitely lacks momentum; however, patient long-term investors stand to be rewarded handsomely if they hang on to shares within their TFSAs, as the company has an impressive growth pipeline with development projects across the world, including North America, Europe, Asia, and Latin America.

These offshore renewable projects have the potential to sustain generous dividend hikes down the road, so investors need not worry about a potential dividend cut, as Northland Power is on the verge of becoming a cash cow thanks to its geographically diversified project mix.

Bottom line

Both Algonquin and Northland Power are two wonderful low-risk businesses that have huge yields and promising growth runways that can support future dividend hikes.

I'd recommend owning both stocks at today's prices; however, if I had to choose one, it'd be Northland Power, because I think many income investors have scratched the stock off their radars due to the company's lacklustre performance, which, I believe, is not indicative of where the company or the stock is headed moving forward. It also has the slightly higher yield!

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CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NPI (Northland Power Inc.)

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Date

2025/08/15

Date Created

2018/03/14

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