



These 3 Renewable Energy Stocks Are the Future

Description

One of the fastest-growing investing styles is socially responsible investing (SRI). It is estimated that socially responsible investments in the U.S. doubled between 2013 and 2016, reaching \$121.6 billion dollars. What is SRI? It's an investment style that considers environmental, social, and corporate governance impacts on society. Investors are increasingly looking to invest in companies that provide important societal or environmental benefits. How important is it? In Canada, there were approximately \$1.5 trillion assets engaged in some sort of SRI strategy in 2016. This was a 49% increase over the prior year.

One sector that stands to benefit from the increased popularity of SRI is renewable energy. There are three main players on the TSX in the renewables space; **Brookfield Renewable Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)), **Innergex Renewable Energy Inc.** ([TSX:INE](#)) and **TransAlta Renewables Inc.** ([TSX:RNW](#)). When analyzing shareholder returns over the past year, the results have been decidedly mixed. Brookfield was the only one in the black, returning 2.89%, while Innergex lost approximately 7% of its value. TransAlta was the big loser, with its share price plunging 23.31% over the past year.

Brookfield is a household name and is considered by many to be best in class. Year to date, the company has lost approximately 7% of its share price, and its yield has jumped to an attractive 6.45%. The company is a Canadian dividend aristocrat and just extended its dividend-growth streak to nine years with its 5% raise in February. At the mid-point of guidance, the company expects growth of 13% and a dividend-growth rate of 7% over the long term.

Innergex is the smallest of the bunch in terms of market cap, and at current prices it's the most expensive of the group. It is trading at a significant premium to Brookfield and TransAlta in terms of price to book (P/B), price to sales (P/S), forward price to earnings (P/E) and enterprise value (EV) to earnings before interest, taxes, depreciation and amortization (EBITDA). Innergex has a modest four-year dividend-growth streak and a current yield just above 5%. The company is awaiting regulatory approval for its \$1.1 billion acquisition of **Alterra Power**. The acquisition is expected to be accretive to distributable cash flow and fuel its growth to achieve net installed capacity of over 2,000 MW by 2020.

TransAlta has been the worst performing of the three, and its slide has also made it the cheapest of the three. It is trading at a discount to P/B, forward P/E, EV/EBITDA, and it currently has the highest starting yield at 7.91%. It is also a Canadian dividend aristocrat with a five-year dividend-growth streak. TransAlta's underperformance has been, in large part, a result of its dispute with Fortescue Metals Group, which was contracted to obtain power from TransAlta's South Hedland Facility in Australia. The company has long-term contracts and very little debt.

Despite their recent underperformance, all three stand to benefit from the shift towards SRI. Income investors have been particularly attracted to these companies, and each of their respective dividends have cash coverage ratios above one. As a result, all are well positioned to continue paying and raising dividends. At today's prices, Brookfield and TransAlta provide investors with the most attractive entry points.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:INE (Innergex Renewable Energy)
4. TSX:RNW (TransAlta Renewables)

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