



Quickly Buy for an 8.77% Yield and More

Description

TransAlta Renewables ([TSX:RNW](#)) stock has declined 22% in the last 12 months. At \$10.72 per share as of writing, TransAlta Renewables offers a high yield of 8.77%. Let's explore the stock as a potential value and income idea.

A business overview

TransAlta Renewables primarily owns a portfolio of clean energy assets in Canada and the United States. It has an ownership interest in about 2,400 MW of generating capacity across 21 wind facilities, 13 hydroelectric facilities, seven natural gas generation facilities, and a solar facility.

TransAlta Renewables's power generation is highly contracted with creditworthy counter-parties. So, the renewable energy company should generate stable cash flow to support its dividend.

Recent results

In the first half of the year, TransAlta Renewables reported adjusted funds from operations growth of 15.6% to \$170 million. On a per-share basis, the adjusted funds from operations grew 3% to \$0.68.

The company continues to grow its portfolio. This month, it expanded its Kent Hills wind facility, which now has a total generating capacity of 167 MW. It's also building a 90-MW wind facility for **Microsoft**, which signed a 15-year power-purchase agreement earlier in the year.



Dividend safety and discount on dividend reinvestment

[Dividend lovers will enjoy](#) TransAlta Renewables's monthly dividend. The company has maintained or increased its dividend per share since 2013. Its three-year dividend-growth rate is 5.5%.

Its adjusted funds from operations payout ratio was under 70%, while its payout ratio based on net earnings per share was under 91% in the first half of the year. So, the dividend should be sustainable.

Shareholders who choose to reinvest their dividends under the dividend-reinvestment plan will get a roughly 2% discount.

Is TransAlta Renewables truly cheap?

The stock was overpriced when it traded in the \$15-per-share level last year. It has pulled back along with other renewable energy stocks, which are sensitive to the increasing interest rate environment, and it's now a better value. However, TransAlta Renewables has underperformed the group in the last 12 months.

As of writing, TransAlta Renewables has 12-month upside potential of about 19% according to the consensus analyst target from **Thomson Reuters**. Throwing in its dividend yield of 8.77%, there's near-term total returns potential of nearly 28% in the stable stock. The stock seems to be a good value at current levels.

Investor takeaway

The correction on TransAlta Renewables makes the stock discounted for purchase. It offers a sustainable juicy yield of 8.77% and almost 28% total returns potential in the near term. If you've been eyeing the high-yield name, it's [a decent valuation to begin buying shares](#).

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