This Green Energy Dividend Beast Belongs in Your TFSA

Description

The recent plunge in oil prices should inspire investors to think about renewables as a rough year for North American stocks winds to a close. This turbulence has been damaging for the energy-heavy TSX in November, which is unfortunate considering the weakness in other sectors this fall. There has been pushback in recent years, but the arrow is pointing up for renewable energy companies as we look ahead to the next decade.

Back in October, I'd discussed a UN Report on climate change that urged drastic social change to combat rising temperatures that could lead to economic and social catastrophe in this century and beyond. The Green Economy Network estimates that an investment of $3.62 billion could create more than 48,000 jobs in Saskatchewan, the second largest oil-producing province in Canada. Green energy advocates have called the carbon tax an inadequate step for what will be required to curb damaging climate change going forward.

On a national level, the Green Economy Network projects that by investing up to 5% of the federal budget on renewable energy, energy efficiency, and public transportation Canada could generate one million new jobs nationally. It could also reduce greenhouse gas emissions by between 25% and 35%.

Predicting the path of policy is difficult work, but fortunately there are option on the TSX for investors looking to bet on green energy going forward. Today, I want to take a snapshot of a stock that offers opportunity for big long-term growth while also boasting a high dividend yield. This is a fantastic target for a TFSA, especially for investors with a long time horizon.

Innergex Renewable Energy (TSX:INE) is a Quebec-based independent renewable power producer. Shares have climbed 2.2% month over month as of close on November 19. However, the stock is down 14.7% in 2018 so far. The stock dipped into oversold territory in mid-October, but its RSI currently sits at 44. Value investors may opt to wait for a pullback, but there is no guarantee the stock will test 52-week lows before the year is finished.

Innergex released its third-quarter results on November 13. Revenues rose 30% year over year to $140.8 million on the back of major acquisitions in five Cartier wind farms and a potential solar project in Ohio. Production climbed 25% from the prior year, and production has increased 37% in the year-to-date period. Adjusted EBITDA increased 12% to $91.6 million in the quarter.

Revenues are up 40% year over year to $408.2 million in the first nine months of 2018. Adjusted EBITDA is also up 24% to $270.1 million. Innergex also declared a quarterly dividend of $0.17 per share, which represents a 5.5% yield. The company plans to use a recently opened credit facility of $228 million to facilitate more acquisitions going forward. This has been a great source of growth in the 2018 period.

Innergex stock is a nice target, as the TSX is suffering from broad weakness in the final weeks of 2018. Renewables stocks are a great bet to bounce back in 2019 and beyond.

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aocallaghan