



## Here's Why Your Portfolio Needs a Renewable Energy Investment

### Description

Few investors may realize this, but renewable energy investments make for some of the most promising long-term investments on the market.

While utilities generally make [great defensive investments](#), the gradual shift away from fossil fuel-burning sources to renewable energy sources is creating an opportunity for companies that generate clean power to compete with and take over contracts from their fossil fuel-burning peers.

Here's a look at two very compelling renewable energy options to consider.

**Innergex Renewable Energy** ([TSX:INE](#)) is the first stock worth noting; it is quite possibly one of the best investments on the market at the moment.

Innergex has not been coy about growing its portfolio of facilities, and last month the company announced its latest addition — a controlling interest in five wind farms in Quebec in a \$620 million deal. The new wind farms will augment the already impressive array of sites in Canada, the U.S., and Europe that includes geothermal, hydroelectric, solar, and wind elements.

One interesting point worth noting about Innergex's portfolio is the set duration of the contract. Power-purchase agreements (PPAs) stipulate how much of the utility is to be provided and, in turn, how much the utility is going to be reimbursed for providing the utility. To put it another way, the PPA stipulates how long the utility will continue to receive a recurring and stable stream of revenue, and in the case of Innergex, the company has 18 contracts expiring within a decade and over twice as many expiring several decades out from now, including 17 facilities with expiring PPAs in 2045 or later.

In terms of results, Innergex reported a 30% increase in revenue in the most recent quarter when compared with the same period last year, coming in at \$140.8 million. EBITDA saw an equally impressive 12% gain to \$91.6 million in the quarter.

This translates into an incredible long-term growth investment option, which, when coupled with an appetizing 5.54% yield, creates a compelling case to consider as a growth or income-producing investment.

**TransAlta Renewables** ([TSX:RNW](#)) is another interesting renewable energy pick. Like Innergex, TransAlta has an international portfolio of facilities encompassing different energy sources. In all, the company has gas, hydro, solar, and wind elements located across Australia, Canada, and the U.S. that collectively provide nearly 2,400 MW of generating capacity.

TransAlta provided a quarterly update earlier this month that saw the company post an EBITDA of \$88 million, reflecting a slight decrease over the same quarter last year. Cash available for distribution also saw a dip in the most recent quarter, coming in at \$65 million, reflecting lower adjusted funds from operations as well as higher principal debt repayments. That dip is erased when viewing the cumulative performance of the entire fiscal year so far, with cash available for distribution reflecting a \$14 million gain to \$210 million.

In terms of a distribution, TransAlta provides an incredible 8.30% yield, easily making it one of the [best returning investments on the market](#) for income-seeking investors. More astonishing is the fact that TransAlta's payout ratio comes in at 85%, which is at a sustainable level.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:INE (Innergex Renewable Energy Inc.)
2. TSX:RNW (TransAlta Renewables)

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