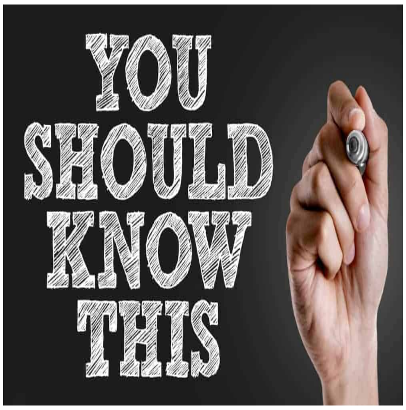

Renew Your Faith in Green Energy Stocks With This Canadian Trio!

Description

Three giant energy stocks of the TSX index come to mind when one thinks of renewables; and with oil lower weighing on the sector, what better time to look to greener pastures? With some decent market fundamentals, some dividends, and some growth, there's a good mix of what makes Canadian energy stocks so popular right here, tailored for the ethical investor and the passive income portfolio manager alike.

Northland Power (TSX:NPI)

A so-so 12 months saw Northland Power's one-year past earnings growth of 1.2% match the Canadian renewable energy industry point-for-point; meanwhile, a five-year average past earnings growth of 38.3% shows that in less turbulent times, this is a generally positive asset.

Before we move on to the bad news, a dividend yield of 5.15% puts Northland Power on the radar for TFSA and RRSP investors, with a 15.5% expected annual growth in earnings signaling a return to a cheery outlook.

However, with a high debt level of 508.3% of net worth, this stock is far from being a risk-free pick, which is one of the biggest blights on an energy stock's balance sheet on the TSX index. Couple it with a bloated P/B of 5.3 times book and you have a couple of good reasons to stay away for the time being.

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN)

Trading at a 25% discount, Algonquin Power & Utilities had a tough 12 months: its one-year past earnings of -9.2% failed to beat its own five-year average past earnings growth of 9.7%. However, with a P/B of 1.7 times book and 27.5% expected annual growth in earnings, it beats the previous stock on per-asset valuation and projected income.

It’s come to something when a debt level of 100.4% of net worth makes one stock look more attractive than another, but here we are. Again, this is not a good choice for investors in the TSX index with a low appetite for risk. In terms of value, passive income investors will have to balance a P/E of 64.3 times earnings with a trailing dividend yield of 4.8%.

TransAlta Renewables (TSX:RNW)

Looking at the stats for TransAlta Renewables stock after the last two tickers is like taking a long, warm bath: a P/E of 16.5 times earnings and P/B of 1.3 times book are much closer to the kind of valuation a passive income investor should look for in a TFSA or RRSP energy stock pick. Newcomers to the **Toronto Stock Exchange** could do far worse than to add this star stock to a tax-free savings account, while retirement investors likewise have a strong play right here.

A dividend yield of 8.2% looks tasty, and 44.1% debt just grazes the significant threshold while being far below the levels seen for the last two stocks. An 8.2% expected annual growth in earnings rounds out the reasons to buy this renewables gem, thereby signifying as it does a cheerful prospect for a TSX index energy stock.

The bottom line

A P/E ratio of 15.2 times earnings puts Northland Power in line with Algonquin Power & Utilities. Value investors and those looking for passive income from stock in green energy companies listed on the TSX index should favour TransAlta Renewables with its over 50% discounted share price and positive year-on-year earnings growth.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

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

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