4 Key TSX Index Stocks for Exposure to Renewable Energy

Description

With investors eyeing possible turbulence in the year ahead, it's an interesting time to take a look at Canadian renewable energy stocks and see how they're shaping up. The four TSX index stocks detailed below represent some of the best of the industry, with a blend of passive income, momentum, attractive valuation, and other key characteristics of a stock worth buying and holding onto for the long term.

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

Up 0.91% in the last five days, this key green energy stock is a moderate buy at the moment. In terms of earnings, its one-year growth rate was negative by -9.2%, though overall it's been profitable with a five-year average past earnings growth of 9.7%.

A P/E of 65.6 times earnings versus a P/B of 1.8 times book shows that Algonquin Power & Utilities is performing at a high level while being fairly valued in terms of assets. While anyone on the lookout for regular passive income should be pleased to see a tasty dividend yield of 4.71% matched with a 19.8% expected annual growth in earnings, the risk-averse buyer may want to take note of a high comparative debt level of 100.4% of net worth.

TransAlta Renewables (TSX:RNW)

Down 0.41% in the last five days, this star of the TSX index green energy sector is trading with near-market multiples, with a P/E of 17.5 times earnings and P/B of 1.4 times book. TransAlta Renewables has seen a positive one-year past earnings growth rate that has been an improvement on its five-year average past earnings growth of 7.5% and has outperformed the industry by a wide margin.

With a comparative debt level of 44.1% of net worth making for a fairly good balance sheet, TransAlta Renewables pays a dividend yield of 7.76% and is looking at a 8.2% expected annual growth in earnings.

Northland Power (TSX:NPI)

Though Northland Power's 28% past-year ROE was significantly high for the TSX index, it's let down by a significantly high level of debt at 508.3% of net worth. A one-year past earnings growth of 1.2% matches the Canadian renewable energy average of the same period point for point for the TSX index

However, there are at least three good reasons to buy shares in Northland Power: it's trading with a near-market P/E ratio of 16 times earnings, pays a decent dividend yield of 4.92%, and is expecting a 15.5% annual growth in earnings.

Boralex (TSX:BLX)

A negative earnings-growth rate for the past year doesn't stop Boralex being an interesting play in the green energy space. Its five-year average past earnings growth of 29.6% shows that the company is profitable, and while Boralex insiders have only sold shares over the last three months, this has not been in substantial volumes.

A high debt level of 356.5% of net worth is perhaps the biggest reason to hold off, though a passive-income investor not overly concerned with risk should be aware that, discounted by more than 50% of its future cash flow value, this stock is good value for money, trading with a P/B of 1.8 times book. Meanwhile, its moderate dividend yield of 3.61% is matched with a significant 110% annual growth in earnings expected over the next one to three years.

The bottom line

Northland Power's balance sheet leaves something to be desired, though it's dividend yield is suitably large; however, larger yields can be had in the renewable energy sector of the TSX index, and with a P/B of 5.5 times book this stock may, in fact, be intrinsically overvalued. Algonquin Power & Utilities insiders have been selling more shares than buying recently, as have Boralex insiders, with the latter stock being an intriguing choice for growth investors.

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

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