



## Socially Responsible Investors: This Is the Utility for You

### Description

Investors have been seeking refuge in a variety of stocks in recent months. Times have turned from positive to negative in a hurry, and investors are buying back into utility stocks with a vengeance. The return to safety has made these companies relatively less compelling than they were a few months ago, so I would hesitate to buy in at today's elevated prices. Nonetheless, it's not a bad idea to start building a list of companies that you can buy into if interest rates start creeping up once again.

I am partial to owning utility companies in general as a core part of a dividend portfolio. I am especially keen on utilities that are concentrated on providing energy generated through the use of renewables. While our dependency on fossil fuels is most likely not going to end anytime soon, the world is pushing for a more renewable energy-based model. It's cleaner, most likely more sustainable, and its implementation is a top agenda item for many countries, including Canada.

There is no shortage of renewable energy companies listed on the TSX. One that recently caught my eye is **Boralex Inc.** ([TSX:BLX](#)), a builder and operator of renewable power facilities. The company has operations in Canada, the United States, the United Kingdom, and France. In these regions, it operates wind, hydroelectric, thermal, and solar power plants. By far the largest of the four generation systems is its wind assets, which account for 89% of all its power generation capacity.

At year-end 2018, revenues had increased by almost 14% over 2017. Net earnings per share were negative this year, which is a little troubling. But as the company is still growing, it is to be expected that capital investment will cut into earnings from time to time.

One cost that impacted earnings was the impairment loss of \$9 million on the Cham Longe I wind farm. It will be decommissioned in order to upgrade the capacity of the farm from 18MW to 35MW, resulting in a short-term shutdown. The company also suffered a \$2 million impairment loss on the sale of a French wind farm project. These losses are one-time events, and in the case of Cham Longe, I should lead to greater long-term profitability as the company focuses on the future.

The real question you have to ask yourself when considering Boralex is: Why should I buy this company instead of another, larger player? The [dividend is decent](#) for income investors at 3.45%, but it is not as large as that provided by other comparable utility companies. The dividend has been growing, however, having been increased 10% earlier this month.

Most utilities have a fair amount of debt given the fact that their earnings are usually regulated or in the form of long-term contracts. Boralex is no exception, with net debt of \$3,048 million at the end of 2018. The current portion of the net debt (to be paid within a year) as of December 31, 2018, was \$414 million and their cash and cash equivalents amounted to \$157 million. As long as contracts stay in place, the cash flow should be more than sufficient to cover the debt, but high debt is always troubling.

## Should you buy Boralex?

There are really two reasons to buy Boralex over a mature utility: Its pure focus on renewable energy and its growth potential. For [environmentally conscious](#) investors, Boralex's dedicated focus on renewables, without the natural gas exposure of many other renewable utilities, could be very appealing. A smaller company like Boralex also has the potential to scale up growth more quickly than a mature utility, leading to a potentially higher capital gain. Unfortunately, this may also come with a larger amount of volatility.

Personally, I like to take risks in other areas of my portfolio, like technology or biotech, and leave my utilities as stable, boring income generators. But if you want to take a risk on a growing utility that focuses purely on renewables, Boralex is a decent one to roll the dice on.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BLX (Boralex Inc.)

### PARTNER-FEEDS

1. Msn
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