50 Shades of Green: Marijuana and Renewables Will Dominate the TSX Index

Description

From Big Oil to the Big Six, the familiar landscape of the TSX index has been dominated by the classic mix of bankers, drillers, railways and miners. But things are changing, with a new generation of investors espousing different outlooks and trading strategies, and the future is likely to be green: from legal weed to renewables, the future of the biggest stock market in Canada is likely to look very different in years to come.

The future of the TSX will likely see stocks like **Green Organic Dutchman Holdings** (TSX:TGOD) joining renewables for centre stage. Here, then, are four stocks to watch, pulled from the "hot stock" lists of the alternative energy and Canadian cannabis industries, specially chosen for investors who want to get ahead of the curve, whether they're new to investing, or seasoned shareholders.

Green energy is going to be a fast-growing industry

From all-battery electric vehicles (BEVs) to renewables, the future of energy production is green. Assuming we make it through this current period of late capitalist protectionism, the old world of Big Oil is likely to go the way of the dodo, leaving the arena open to less environmentally impactful sources of energy.

With returns of 18.3%, **TransAlta Renewables** (TSX:RNW) is a healthy and attractively valued alternative energy stock. Having enjoyed a significantly high past-year earnings growth rate, TransAlta Renewables is trading with a P/E of 15 times earnings and P/B of 1.5 times book. Its dividend yield of 6.82% paired with a reduced level of debt to net worth (down from 64.2% to 38.9% today) makes for a solid buy.

Meanwhile, **Polaris Infrastructure** (TSX:PIF) is undersold at the moment, with a P/E of 12 times earnings and low P/B of 0.7 times book. Its one- and five-year past earnings growth rates of 629.4% and 56.8%, respectively, delineate a solid track record, while a dividend yield of 6.5%, paired with a 26% expected annual growth in earnings, should invite passive income investors.

Canadian cannabis isn’t going anywhere, and will dominate the market

A fairly-valued TSX index organic, soil-grown cannabis producer with geographical reach, Green Organic Dutchman Holdings isn’t too badly valued right now, with a P/B of 2.7 times book. Its 88.6% expected annual growth in earnings matched with a solid balance sheet (see a debt level of just 0.3% of net worth) make this a high-growth option.

With one-year returns of 17.6% that beat the Canadian pharma industry and outperformed the TSX index, **Aphria** (TSX:APHA)(NYSE:APHA) is another stock to watch during the green gold rush. Its one-year past earnings growth of 251.7% is significantly high. While its P/E of 33.4 times earnings is around twice market-weight, its P/B of 1.9 times book is lower than the pharma industry average of three times book.

The bottom line

Aphria’s 12.2% expected annual growth in earnings is a little low for a weed stock, so the high-growth fan should consider opting for shares in Green Organic Dutchman Holdings. This should make up for a drop of 7.7% in expected annual earnings for TransAlta Renewables, though investing in Polaris Infrastructure, with its positive outlook, could make for a better play in terms of future performance.

CATEGORY

1. Cannabis Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

TICKERS GLOBAL

1. TSX:PIF (Polaris Renewable Energy)
2. TSX:RNW (TransAlta Renewables)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks
2. Dividend Stocks
3. Energy Stocks

4. Investing
5. Stocks for Beginners

Date
2025/07/03
Date Created
2019/04/16
Author
vhetherington