Millennials: How to Get Big Gains and a Sustainable 7.4% Yield

Description

ESG investing is all the rage with millennials.

Ethical businesses that leave a net positive impact on the environment are actually worth more through the eyes of investors who are looking to change the world with their investment dollars. That's why renewable energy stocks are one of the best asset classes — not just for millennials who want to make a difference, but for those seeking to score a favourable risk/reward trade-off over the long term.

Governments around the world are actively pushing for renewable projects to be built, while energy projects reliant on fossil fuels will likely continue to face resistance in geographies that have decided to phase out "dirty" energy. There's tremendous opportunity in the renewables space, and that's a significant reason why non-renewable energy companies have been looking to get a slice of the pie.

Altius Minerals, a firm within the mining and resource sector, recently created a renewable energy subsidiary to take advantage of opportunities in the glowing space to improve its royalty stream for the better. And **Amazon.com**, the disruptor that knows no bounds, recently announced renewable energy projects in Virginia and Ireland.

Everybody wants to get in on the action. Renewable energy projects are where the puck is headed next and are capable of offering outsized returns on invested capital thanks to favourable industry conditions that'll likely last many decades.

Since the renewable energy sector is riding on the right side of a secular trend, they tend to offer larger dividend yields, greater capital appreciation potential, and dividend growth.

Indeed, there are many perks to be had for investors looking to the sector. And if you can buy one at a reasonable price, all the better.

Consider **TransAlta Renewables** (TSX:RNW), a well-run renewable energy company with a massive 7.4% dividend yield at the time of writing. The stock recently slipped 10% after a strong start to the year thanks to the release of some weak Q2 2019 results.

Management reiterated its full-year guidance and will continue to aim for a generous 80-85% payout ratio after debt-repayment efforts. While the dividend may seem stretched, it appears safe given the trajectory of AFFOs and the potential for U.S. project acquisitions moving forward.

The stock trades at 10.7 times EV/EBITDA and 15.8 times forward earnings — a very reasonable price to pay for a stock that could deliver a trifecta of rewards (large upfront yield, dividend growth, and capital gains) for investors.

TransAlta Renewables is one of the most bountiful plays out there and is a top pick for those who want to save the world and get wealthy at the same time.

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joefrenette