Renewable Energy Is a Top Growth Industry: Here Are 3 Industry Leaders

Description

In the last couple of decades, renewable energy projects have exploded around the globe. As technology gets better, and the costs to construct and operate the assets becomes more scalable, more renewable energy assets will continue to grow.

Renewable energy is expected to receive more than $13 trillion in new investment by 2050. Furthermore, some European countries believe they will be able to run on 100% renewable energy by 2050.

However, the sector is bound to get very competitive in the future, so for investors today, the best options are to buy companies that are already leading the pack. Below are three companies that are ahead of the curve, leading the renewable sector's growth.

The three companies that are excelling in the renewable space are **TransAlta Renewables Inc**(TSX:RNW) **Northland Power Inc**(TSX:NPI) and **Algonquin Power & Utilities Corp** (TSX:AQN)(NYSE:AQN).

TransAlta Renewables

TransAlta renewables is the renewable energy subsidiary of **TransAlta Corporation.** The parent company owns roughly 61% of TransAlta renewable's stock.

It has 21 wind assets which account for 46% of cash flow, seven natural gas assets that make up 47% of cash flow, 13 hydro assets that do about 5% of cash flow and one solar asset doing 2% of cash flow.

It operates across Canada, the United States and Australia. It's highly diversified with different types of assets operating in many different geographies.

It has a strong balance sheet with only 2.1 times net debt to earnings before interest, taxes, depreciation and amortization (EBITDA).

Something that is quite attractive is the stability in the length of its contracts, the company has an average remaining contract life of 11 years.

TransAlta Renewables has an impressive track record so far, with over 100% shareholder return since its IPO, which was only in 2013.

RNW’s guidance for 2019 states it expects its EBITDA will be between $425-$455 million. It also expects that cash available for distribution will be in the $270-$300 million range.

The stock is paying a dividend that yields ~7.2% and has a P/E ratio of just over 16 times earnings.

Northland Power

Northland is focused on building itself into a global company known for providing clean and sustainable energy. It is building high-quality projects tied to stable contracts so the cash flows will remain predictable.

The company has assets in Canada, the Netherlands and Germany, as well as projects under construction in Taiwan and Mexico.

Since its IPO in 1997, Northland has had total returns of almost 1,300%. Its shareholder returns of late have not been too shabby either. Three year returns average 10%, five year returns average 13%, and 10-year returns average a whopping 17%.

From 2014 to 2018, Northland amassed 145% growth in EBITDA and 70% growth in free cash flow per share.

The company issued guidance for 2019 of adjusted EBITDA to be between $920 million and $1 billion, and free cash flow per share of $1.65 to $1.95.

It expects offshore wind to generate 60% of EBITDA, gas and biomass to contribute 25%, onshore wind 10% and the remaining 5% to come from its solar operations.

The stock is looking very attractive with a P/E ratio of just 15.3X and a dividend yield of ~4.75%.

Algonquin Power and Utilities

Algonquin is a renewable energy company and regulated utility company. It operates through its two subsidiaries Liberty Power and Liberty Utilities.

Liberty Power owns or has an interest in more than 35 clean energy facilities across North America. Its renewable assets include hydroelectric, wind, thermal and solar.

Liberty Utilities is a provider of water, gas and electricity to a number of communities in the United States. Its utility business serves more than 750,000 customers in 12 states.

The company reported net earnings in the second quarter that were up 139% over the same period last year. On a per share basis, net earnings were up 121%. Adjusted EBITDA was up 18% for the year and the dividend was raised 10%.

The stock is trading at a P/E just under 19 times earnings and the dividend yields are ~4.33%.

Bottom line

These companies have a long history of growth, but will continue to grow faster as more governments decide to make the switch to cleaner energy and reduce their country's footprint. The change is slowly taking place, and investors positioning themselves now will be rewarded down the road.

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TICKERS GLOBAL

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

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