



A Top Energy Stock to Buy for TFSA Growth

Description

If you're an investor looking to use your [Tax-Free Savings Account](#) (TFSA) to earn higher yields, there aren't many avenues open for you. The reason for this dismal situation for savers is the perpetually low interest rate environment we're having in the past decade.

The central banks aren't keen to hike rates when the inflation beast is under control and the risks to growth are many. That's the reason that both Bank of Canada and the Federal Reserve are on the sidelines and keeping the rates low.

In this scenario, it makes sense to look for higher returns elsewhere. One area of the market in which you could get returns better than in fixed income is dividend stocks. The companies that have steadily growing payouts become more attractive amid an environment of falling interest rates.

Here is an energy stock I like for TFSA investors for its high yield and the future growth potential.

Brookfield Renewable Partners

Bermuda-based [Brookfield Renewable Partners](#) ([TSX:BEP.UN](#))([NYSE:BEP](#)) is a clean energy provider with a dividend yield touching 5%. The company is well positioned to benefit from the worldwide push to use environment-friendly sources for power generation.

The International Energy Agency sees continued strong growth in renewables through 2022, with renewable electricity capacity forecast to expand by over 920 GW — an increase of 43%.

Producing 16,000 MW of capacity and managing 820 facilities in North America, South America, Europe, and Asia, Brookfield has a strong portfolio of projects. In the second-quarter earnings report, Brookfield reported that its funds from operations rose 35% year over year to \$0.74 per share. BEP's strong performance in the June quarter was driven by its operating business and recent acquisitions.

In the second quarter, BEP closed an acquisition of 210 MW of operating wind in India. It completed a \$350 million Canadian tranche investment for its Alberta renewables portfolio.

Through **TerraForm Power**, the company also announced the acquisition of a 322 MW distributed generation portfolio in the U.S., nearly doubling its distributed generation footprint and providing significant opportunities to drive incremental cash flow growth through operational and commercial synergies.

“Over the next five years, the plan is for the business to develop 500-800 MW of new solar capacity annually. This growth will complement our existing pipeline of development projects that includes over 600 MW of advanced stage wind, hydro and solar projects, and approximately 130 MW of assets under construction,” according to a letter that management wrote for the shareholders.

Bottom line

BEP stock currently pays \$2.06 a share annual dividend that translates into a yield of about 5%. BEP stock had a great run so far this year after surging more than 60%. Trading at \$40 at writing, its stock looks expensive with the forward price-to-earnings multiple of 120.

But if you have an eye on the future potential of clean energy, that premium might not look too much for a company that has a global reach.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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Date

2025/07/02

Date Created

2019/10/13

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