



This Is the Top Dividend Stock TFSA Investors Should Buy for 2020

Description

Buying dividend stocks inside a TFSA is a smart strategy. All dividend income and capital gains will never be taxed in your TFSA. That's why it's a good idea to hold high-growth, high-yield stocks in a TFSA. There are a lot of dividend stocks to choose from on the TSX.

But be careful, since many dividend stocks offer an interesting yield but don't have much potential for capital appreciation, as they are in their late stage of growth. I present here a small-cap stock that has a high dividend yield and strong [upside potential](#): **Pinnacle Renewable Energy** (TSX:PL).

A unique position in the renewable energy sector

If you'd like a stock that offers you both strong potential for share price appreciation and a lucrative dividend, Pinnacle Renewable Energy might be the stock you're looking for. This company occupies a unique position in the [renewable energy](#) sector.

Pinnacle is one of the world's leading providers of wood pellets, which are used by thermal power generators to produce renewable energy. The energy company currently has seven plants in Western Canada and one production plant in Alabama.

Pinnacle operates in an industry that is in the very early stages of its life cycle. Renewable energy has good chances of becoming a primary energy source in the future, and Pinnacle is already taking advantage of it, as it has improved its order backlog by more than 80% in the past year.

Significant risks, but high growth expected

However, there are significant risks to the company, and the stock is very volatile. The product is in its early stage, and, as such, technological advances could make it obsolete.

For Pinnacle to thrive, it needs the world to embrace and evolve toward greener forms of energy. Since people are more environmentally conscious and look for alternative energy sources, the future bodes well for the young growing business.

As a result of this shift in mindset, the company's demand for pellets is expected to double over the next two years, and the company has added more than \$2 billion in contracts.

Analysts expect Pinnacle's earnings to grow by about 285% to \$0.33 per share in 2020, so expectations are high. This would be the first year where the company earns a profit. Revenue is expected to increase by 21% to \$472 million.

A generous dividend ought to increase

Pinnacle started paying a dividend in May 2018. The quarterly dividend of \$0.09 has been increased by 66% to \$0.15 only three months later. On an annualized basis, this gives a dividend of \$0.60 per share. The dividend yield is very generous, reaching almost 7%. The dividend has not been increased since, but we can expect further high increases if the company's expected growth materialized.

Strong upside potential

The stock has plunged 20% at the time of writing but has soared more than 15% in the past month. I expect this bullish trend to continue in 2020, as investors discover the potential of this small renewable energy stock.

Overall, Pinnacle has significant upside potential but also significant risk. So, it's a great stock for investors looking for high income and potentially high capital appreciation.

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Date

2025/07/21

Date Created

2019/12/22

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