



Forget Oil Stocks: Invest in Energy of the Future

Description

For a long time, energy has been a crucial part of investors' portfolios. Though most energy stocks can be quite risky due to the volatile price of commodities, the energy industry as a whole is a staple of the economy.

Energy continues to be an important issue, but today the talk is regarding the sources of that energy.

With more and more countries recognizing the very real effects of climate change, more is being done to grow [renewables](#) and rely less on fossil fuels.

Naturally, the shift will take quite a long time, several decades, in fact, but positioning yourself now and starting to find the best green energy companies for the long run, could end up being highly profitable.

Two of the most attractive green energy companies you can buy today are **Northland Power** ([TSX:NPI](#)) and **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)).

Northland

Northland is a growing renewable energy company with nearly 2,500 megawatts of generating capacity located in Canada and Europe, though the majority of its assets are located in Ontario.

The company has been bringing new projects online, which has helped it to grow its business considerably, as evidenced by its earnings before interest, taxes, depreciation, and amortization (EBITDA) growing rapidly over the last five years.

Going forward, it has more than 1,300 megawatts of generating capacity in development, which is equal to more than 50% of its current capacity and will drive plenty of growth for the company, continuing to reward long-term shareholders.

It will also improve the stability of its business operations with the addition of the Colombian Electric Utility it recently bought.

Investors who have owned Northland in the past have been rewarded well, as the stock is up more than 80% in the last five years, or a nearly 13% compounded annual growth rate.

With the outlook in the industry, and Northland trading for so cheap, this doesn't look set to change, and investors in Northland can reasonably expect some solid gains over the next few years.

The stock currently trades at a very attractive valuation: at an enterprise value to EBITDA below 10 times.

On top of the gains you can make as its price grows, Northland also pays a stable dividend that yields approximately 4.25% and has a payout ratio that's just over 70%.

It's clear that Northland is one of the top companies in the renewable industry, and with management owning roughly a third of the business, you know your capital is in good hands.

Algonquin

Algonquin is also a strong renewable energy company, offering investors a great opportunity in addition to being a utility company.

It operates through its two subsidiaries: Liberty Power and Liberty Utilities.

The Power division generates electricity from its portfolio of more than 35 clean-energy facilities, which combine to generate over 1,500 megawatts of generating capacity with roughly two-thirds coming from wind assets.

The utilities division serves roughly 800,000 customers with water, gas, or electric utilities across 12 states in America.

Algonquin has been growing its operations and therefore its EBITDA very similarly to Northland, which is a main part of the reason why it's such an attractive investment today.

Since 2015, it's grown its dividend by more than 100%, and its stock has followed suit, up roughly 50% in the last five years.

Algonquin too pays a dividend, one that's been increased by more than 90% since 2015 and still pays out a sustainable amount at just 68% of earnings.

At current share prices, that stock yields just under 4% and trades at a price-to-earnings ratio of 19 times — pretty fair for one of the fastest-growing Dividend Aristocrats.

Bottom line

The renewable energy industry is set to go on a major growth spurt, so capitalizing on these

companies of the future rather than waiting for the numerous problems to be sorted out in our energy industry, is the prudent investment decision today.

These companies have a lot of similarities, but the more established, defensive nature of Algonquin's business gives it a slight premium, making its stock slightly more expensive but also slightly lower risk.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NPI (Northland Power Inc.)

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