



## Should You Buy Renewable Energy Stocks?

### Description

There are two schools of thought around renewable energy investments. Some investors acknowledge the opportunity necessitated by the need to shift fossil-fuel burning facilities over to renewable ones, and other investors that dismiss that opportunity altogether.

For those investors that may still be on the fence or unconvinced about the potential of renewable energy investments, allow me to talk to you for a moment about **TransAlta Renewables** ([TSX:RNW](#))

### TransAlta: Just the facts

TransAlta brings over 20 years of renewable energy expertise. The company is an offshoot of its namesake parent company, which brings with it a century of experience. TransAlta's focus in the renewable sector is focused on wind, hydro and solar elements, and the company has an impressive footprint in the Australian natural gas market.

In total, the company has 34 renewable energy facilities that are scattered across 10 operating regions in the U.S., Australia, and here in Canada.

Similar to [traditional utilities](#), TransAlta's facilities are bound by PPAs that set out the duration and compensation for each facility. Currently, more than half of those facilities have a PPA expiration of at least a decade or more out, which means that investors can expect TransAlta to continue earning a steady stream of income.

Adding to that appeal is the fact that TransAlta continues to seek out new growth opportunities. Earlier this year the company announced that two new wind farms came online during the holiday season that collectively adds 119 MW of capacity.

### What about results?

TransAlta is set to announce results for the fourth quarter of fiscal 2019 in a few weeks. Until then, let's

glance at the most recent quarter available.

In that most recent quarter, TransAlta reported a comparable EBITDA of \$86 million, reflecting a 2% drop over the same quarter last year. Adjusted funds from operations saw a 3% bump in the opposite direction, coming in at \$69 million.

Worth noting is that over the course of the full fiscal to-date, TransAlta's EBITDA is up 6% over the prior fiscal, with the drop in the most recent quarter being attributed to slowdowns witnessed in Australian Gas as well as in US Wind and Solar.

The company noted that additional growth opportunities, such as the two wind farms that came online in December, are still expected to materialize over the next year.

## Here's why I really like TransAlta...

TransAlta's [defensive appeal](#) is great, as is the company's strong future growth prospects. What really excites me about the company, however, is its dividend.

TransAlta currently offers a monthly distribution that works out to a very appetizing 5.66%, which handily sets TransAlta's payout in a league far above many of its utility peers.

If that weren't reason enough to contemplate an investment, keep in mind that TransAlta's revenue stream is backed up through long-term contracted cash flows, much like traditional utilities.

Throw in the fact that TransAlta's power generation stems from renewable resources, and you have what could be the perfect long-term investment for income and growth-minded investors alike.

Buy it, hold it, and forget about it for a decade. Your future self will thank you.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:RNW (TransAlta Renewables)

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