



TFSA Investors: Build Wealth by Investing in This TSX Renewable Energy Company

Description

Renewable energy players are always a good bet in a choppy market. These services are deemed essential by governments. Further, the demand for renewable energy is only going to go up as countries move away from fossil fuels, which makes companies like **Boralex Inc.** ([TSX:BLX](#)) a good bet for your Tax-Free Savings Account (TFSA). We know the TFSA limit for 2020 stands at \$6,000. Comparatively, the maximum TFSA contribution limit is \$69,500.

Boralex Inc is a leader in the Canadian renewables space and France's largest independent producer of onshore wind power. It also runs operations in the United States. The company [announced its results](#) for the first quarter of 2020 and revenue clocked in at \$232 million, an increase of \$18 million from 2019.

EBITDA was up \$15 million at \$169 million, 10% higher than the same period in 2019. Net earnings were up 46% at \$41 million compared to \$29 million in 2019. Cash flow rose 59% to \$68 million from \$44 million in 2019.

The jump in these numbers was largely due to a boost in the company's business in France and the power generated from four wind farms and two hydroelectric power stations totalling 95 megawatts (MW) that were commissioned in 2019. Wind power production in France was up 38% compared to 2019. In the first quarter of 2020, Boralex generated 1,533 GWh of power compared to 1,284 GWh in 2019.

The company's hydroelectric power segment also generated 25% more power compared to the same quarter in 2019.

Deals and cash flows

Boralex won projects worth 250 MW in this quarter- 180 MW in solar projects in New York State, USA, and 70 MW in solar and wind projects in France. The New York State project is expected to get

completed by 2022. Boralex has also signed its first corporate power purchase agreement (corporate PPA) with a five-year contract starting on January 1, 2021 with a CAC 40 industrial group in France for an existing wind farm.

As Boralex operations in all three countries are designated as essential, its services continue uninterrupted in all locations; 97% of Boralex's production is under contract and the company's cash flows will not be affected.

The company's 2023 target is 2,800 MW and Boralex is currently at 2,352 MW. It needs to add capacity worth 448 MW and the company says it expects projects at an advanced stage to add a total of 357 MW which means it is on line to hit its target by 2023.

Boralex wants to increase its discretionary cash flows at a CAGR (compound annual growth rate) of 20% from 2018-23. It expects to generate \$140 million to \$150 million in cash flows by 2023. This is important because the company wants to pay a dividend equal to a payout of 40% to 60% of the cash flows. The company's current forward dividend yield is 2.34% at \$0.66 per share which represents a 43% payout of its current cash flow.

A solid bet for your TFSA

I [had written about this company](#) on January 23 when it was trading at \$27. At the time, it had gained 45% in one year. The stock fell to \$18.34 on March 23 but rebounded to \$25.3 on March 26.

It is currently at \$27.65, and while it is unlikely that an investor will see a repeat of 2019 growth rates this year, Boralex holds a lot of potential and should be a defensive play in your portfolio.

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