Growth Stocks: This 1 Sector Will Explode Post-Pandemic

Description

Investors have a strong play for growth in the green economy. This burgeoning sector is anything but new, but the thesis for high returns is steadily strengthening. Some of that growth may have been put on hold by the quarantine

Two stressors are weighing on green energy stocks, and they are both pandemic-centric. First, new deals are being impacted by the absence of in-person meetings. Conferences are one of the main driving forces of partnerships; without them, green power expansion faces a sluggish return to form. Second, low industrial demand for energy is weakening electricity prices — green power producers' bread and butter.

Lundin Mining (TSX:LUN) has some great stats to mull over. In terms of its greatest strengths, namely its value, outlook, and balance sheet health, some key figures suggest a strong buy for the long term. Start with a 63% discount against future cash flow values. This undervaluation is confirmed by a P/B of 1.1 times book, which undercuts the Canadian metals sector average of 1.8 times book.

A cheap stock packing green power upside

Compare Lundin's performance with an actual green energy stock over the last three months. The miner is up 17% over that period. **Algonquin Power & Utilities**, a strongly diversified stock in the clean energy space, is down 5.4% during the pandemic. This reflects two things: the resilience of commodities to current market forces and the vulnerability of energy producers. While both stocks are strong plays on the green economy, Lundin has outperformed on the markets.

Integral to renewable energy technology, copper has a bright future. This goes a long way to back up Lundin's annual 51.4% earnings growth projection. This is also about double the growth expected in the Canadian mining sector. Lundin's revenue growth is likewise expected to outperform its peers, though at a lower rate: 10.7% compared with the sector's 6.1%. Throw in Lundin's low 10.7% debt-to-equity ratio, and you have a well-rounded investment thesis.

One name; several investment styles

Analysts have been wary to put too much faith in yields after the March selloff. However, Lundin's moderate dividend of just over 2% looks solid for the time being. Given Lundin's overall health and a projected three-year payout ratio of 18%, passive-income investors should have a fairly reliable contender for dividend growth in the mid- to long term.

The case for buying and holding Lundin has strengthened over the last few months. Its yield has crept up, as its share price has inched down. Five-year total returns of 40% could see investors sitting on a moderate nest egg of funds by 2025, while diversified revenue from a range of metals and regions feeds a potentially growing dividend.

Metals investors and those with ethical considerations alike have some powerful upside potential on offer in undervalued copper stocks. At the end of the day, diversified metals producers are in the right place to capitalize on the green energy boom. A V-shaped recovery could see commodities improve overnight, with copper being a strong example of an undervalued metal built out of solid upside potential.

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