Forget Exxon Mobil: Buy This Growth Stock Instead

Description

Exxon Mobil Corporation (NYSE:XOM) used to be a blue-chip stock. In 1980, shares were priced at $4. By 2014, the stock topped $100. That return doesn't even include the *billions* of dollars that were paid out as dividends along the way.

For decades, long-term shareholders were pleased. That is no longer true. If you bought XOM stock in 2000, you would have generated *zero* upside. Your only returns over a 20-year period would have been through dividends.

This fact surprises many. After all, Exxon Mobil is often held up as the pinnacle of financial success. It has a proven history as a savvy capital allocator. There's only one problem: fossil fuels are a dying business.

To be sure, the world will be burning fossil fuels for decades to come. Oil, natural gas, and other products will still have use cases a century from now. The *business* case, however, appears to be broken.

If you're invested in oil and gas stocks like Exxon, pay close attention.

Oil is dead

It's getting harder to be a fossil fuel company. The cards are stacked against the industry.

The first problem is a slowdown in demand growth. Nearly every large economy is planning a long-term shift away from oil. This will take decades, but it's a tide that will be difficult to swim against.

The COVID-19 crisis, which pushed oil demand significantly lower, may persist for years. That means Exxon will face both short-term *and* long-term demand headwinds.

The second problem is supply. Lower industry cost structures are forcing prices lower. It’s a race to the bottom, and unfortunately, Exxon is at the wrong end of the barrel.

“The problem is its exposure to high-cost, low-margin assets, principally oil sands but also other areas such as Alaska,” warns a recent report from Wood Mackenzie, adding that it owns “60% of the majors’ 30 lowest margin assets.”

Fossil fuels are full of boom and bust cycles. Now in secular decline, it’s time to pivot to the largest growth market this century: renewable energy.

This stock beats Exxon

Brookfield Renewable Partners LP (TSX:BEP.UN)(NYSE:BEP) is set to become the next energy giant. But instead of fossil fuels, the focus is renewable energy.

Over the last five years, $1.5 trillion was invested in clean energy. Over the next five years, more than $5 trillion in capital will be deployed. The five-year period after that should be even bigger.

Unlike Exxon, Brookfield is in the right place at the right time. This market is experiencing huge secular tailwinds. The regulatory environment is extremely favorable, and its cost basis grows more attractive on a monthly basis.

Better yet, Brookfield specializes in early-stage projects where the risk-reward payoff is more attractive. Over the past two decades, its stock has risen more than 500%. XOM stock is *flat* over that time period.

This business is a clear winner, directly benefiting from the biggest growth opportunity of our lifetimes. Transitioning the world’s energy needs to renewables will be a massive undertaking. With this stock, you get a front row seat at the table.

CATEGORY

1. Coronavirus
2. Energy Stocks
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2. NYSE:XOM (Exxon Mobil Corporation)
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