Buy This, Not That: Sustainable Energy Dividend Stocks

Description

Sustainable energy stocks have been exhibiting resilience amid this crisis thus far. But there's been a split in performance, with some names blasting off to make fresh all-time highs, while others tumbled as a result of operational disruptions caused by COVID-19. This piece will have a look at one sustainable energy dividend stock that I think is a screaming bargain today and one that's overbought (and probably overvalued) even given its relative outperformance.

Sell: Brookfield Renewable Partners

Brookfield Renewable Partners (TSX:BEP.UN)(NYSE:BEP) was one of my top picks a while back when the stock was stuck in a prolonged consolidation channel. After soaring over 150% since its 2019 depths, though, the stock has become a tad overstretched.

I previously noted that Brookfield was a best-in-breed alternative asset manager and that their managers were worth paying up for. However, at these heights, I no longer think the lofty price of admission is worthwhile and think investors would be better served by looking elsewhere in the sustainable energy space.

"Brookfield Renewable Partners is arguably the strongest renewable energy stock on the **TSX Index** with over 100 years of experience in owning, operating, and developing hydroelectric facilities. The company is a nice blend of hydro, wind, and solar facilities, and with a name like Brookfield, you can be sure you're getting a management team that knows how to drive ROEs for shareholders," I wrote in a prior piece when BEP.UN stock sported a 5% yield.

Today, Brookfield Renewables sports a below-average 3.2% dividend yield at the time of writing, which is well below many of its more bountiful peers in the space, including **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), which has a yield that's currently north of the 4% mark. While I am a fan of Brookfield's management, it's not worthwhile to buy shares after their recent run driven by tailwinds common to the renewable energy industry.

Buy: Algonquin Power & Utilities

Algonquin Power & Utilities has been under pressure as its peers have rallied higher. The company has felt a bit more of the impact from the current crisis but is in outstanding shape to bounce back, given its operating cash flow stream's resilience. Algonquin owns some stellar renewable assets in addition to water utilities that are about as stable a cash flow as you could ask for.

Fellow Fool contributor Demetris Afxentiou named Algonquin as his top defensive pick, praising the firm for its double-digit dividend growth rate and the unique mix of businesses that could allow investors to weather the current crisis.

While Algonquin has endured bumps on the road to its new projects, Demetris is right on the money in calling AQN stock a top name to buy on weakness. Once pandemic headwinds begin to fade, Algonquin will be right back at it, and the stock could find itself at fresh all-time highs alongside its peers as investors better appreciate the longer-term fundamentals which, I believe, overpower near-term COVID headwinds.

Algonquin has picked up traction in recent weeks but remains off its all-time high by 8%. The name could stage a breakout going into year-end and I consider the dividend growth stock one of the timelier bets on the **TSX** today.

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TICKERS GLOBAL

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2. NYSE:BEP (Brookfield Renewable Partners L.P.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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Date
2025/08/02
Date Created
2020/10/09
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