3 Top Renewables Stocks to Buy Now for the Dividends

Description

Green power stocks are looking all set to cruise to higher altitudes by mid-decade. A change of political landscape south of the border has further bolstered the bull case for buying and holding green power stocks. But renewables can also pack a powerful dividend punch.

Buying renewables stocks for passive income

TransAlta Renewables (TSX:RNW) just hit a 52-week high. This is significant for a key stock in a growth megatrend. It says a lot about the so-called Biden Bounce. Separating the progressive politics thesis from the industrial sea-change thesis is no simple task. But it seems safe to say that the former has positively influenced the latter and will likely continue to do so in the near term.

TransAlta Renewables buys, develops, and runs renewable power-generation assets, making it a worthy addition to any growth stock portfolio. Selling at 26.3% below its projected future cash flow value, TransAlta Renewables could also bring total returns of 150% by 2025. This pairing of value and growth potential is one of the huge benefits of the currently volatile market. A 5% dividend sweetens the deal.

Matching value with long-term growth

Polaris Infrastructure (TSX:PIF) is notable as a renewable energy company in that it buys, explores for, develops, and operates both geothermal and hydroelectric energy assets. Polaris also brings key exposure to renewables assets in Latin America. Plus, Polaris shells out a moderate 4.4% dividend yield.

Polaris saw its earnings grow by an impressive 150% over the last year. The earnings growth bonanza could also continue into the new year, with a growth forecast of 30.34% on the cards. Trading with a 77% discount off its estimated future cash flow value, Polaris is undervalued. Weighing in with a slew of ratios less than market weight, this stock trades at book price.

Innergex Renewable Energy (TSX:INE) occupies its own corner of the green power market, with independent operations in North America, France, and Chile. As a play for diversification in assets, Innergex ticks all the right boxes. This name also has some growth ahead of it. In fact, even a cursory glance at the stats for this name throws up some intriguing possibilities.

Keeping an eye on total returns potential

Earnings growth over at Innergex is forecast to hit almost 100% annually. This kind of growth should help to shore up a dividend yield of 2.85%. If that earnings growth materializes, it will also serve to reduce risk in the green power segment of a stock portfolio. Indeed, since green power stocks satisfy a growth thesis, it is worth noting that Innergex could reward shareholders with mid-decade total returns in the region of 185%.

By combing through price targets and dividend yields, investors can isolate the best-performing stocks in the green power space. While better value for money can be found in other areas of the energy sector, renewables satisfy a growth thesis. By identifying stocks with strong estimated returns by mid-decade, the green power thesis can be optimized to match even the most ambitious wealth-creation strategy.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:INE (Innergex Renewable Energy)
2. TSX:PIF (Polaris Renewable Energy)
3. TSX:RNW (TransAlta Renewables)

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