



3 Top TSX Stocks for ESG Investors Seeking Renewables Exposure

Description

Perhaps one of the most impactful investing trends we've seen in financial markets over the past 12 months has to be the [rise in environmental, social, and governance \(ESG\) oriented stock picks](#). Retail investors are beginning to invest with their feet by walking away from companies that don't fit a sustainable mantra. This is forcing fund managers to adjust their portfolios to include ESG criteria.

For those looking to capitalize on this trend and believe (as I do) that we are still in the early innings of this transformation, I've got three excellent picks for you.

Algonquin Power

One of my [top picks](#) for the past three years, **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)), is known mainly as a utilities/power generation company. However, the company does hold a fantastic portfolio of renewables assets, which really differentiates Algonquin from its peers. The company's 3.5% dividend yield has decreased substantially over the past three years, despite dividend increases due to impressive capital appreciation, as investors begin to realize the value of high-yielding equities.

That said, I believe the market still does not fully appreciate/has not fully priced in the value of Algonquin's renewable assets. Algonquin acquired these assets at a very reasonable price compared to what these assets are currently going for in this ESG-focused market.

Boralex

Boralex ([TSX:BLX](#)) is a smaller player in the ESG-related space. However, this company has performed extremely well for investors over the past five years, posting impressive gains of 140% over this timeframe. The company has a high-quality portfolio of mainly wind and hydro power-generation assets. This makes Boralex a poster child for sustainability and extremely low-carbon energy production.

Boralex currently generates very good cash flow growth. It also consistently reinvests money into its

businesses and growth initiatives. Boralex also pays out a small but meaningful dividend of around 1.3%, which has decreased in recent months due to the impressive stock price appreciation we've seen with this stock.

Ballard Power

Moving to a company, and a sector, which has most certainly been out of favour with investors and capital markets for decades, **Ballard Power** ([TSX:BLDP](#))([NASDAQ:BLDP](#)) has recently seen a parabolic spike in the company's share price of late. Ballard has provided investors with returns of approximately 350% year over year. That's a more than tripling of one's investment through a pandemic!

Ballard's core business revolves around the production of hydrogen fuel cell-powered automobiles. These include mainly heavy automobiles such as buses. Ballard has secured some domestic Canadian contracts in the past and is working on establishing a real presence in China. However, investors have largely pushed hydrogen fuel cells to the side in favor of electric vehicles (EVs). There's renewed interest around hydrogen as a renewable option — a key growth driver behind this stock's rapid rise of late.

Bottom line

These three companies are certainly all winners of the ESG shift we've seen in recent years. For momentum investors who want to ride the wave and believe there is more upside here, check out these three companies. I would caution, however, that these valuations of specifically renewable power producers like Ballard and Boralex have gotten stretched, so the risk profile on these companies has increased over the past three years.

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1. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:AQN (Algonquin Power & Utilities Corp.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:BLDP (Ballard Power Systems Inc.)
5. TSX:BLX (Boralex Inc.)

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Author

chrismacdonald

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