



1 Top TSX Renewables Stock for ESG Investors

Description

The rise of Environmental, Social, and Governance (ESG) investing has brought renewable energy stocks to the forefront. Capital inflows into this sector remain strong, and the growth trajectory for these stocks appears to be robust.

Whether the momentum underpinning these stocks is sustainable is another story. Indeed, some investors may be worried about the heightened valuations in this sector. In this article, I'm going to discuss why **Boralex** ([TSX:BLX](#)) is a great way to play ESG.

Long-term potential of renewables strong

Boralex is a company with a well-diversified renewable power portfolio that spans North America and Europe. Most of the company's earnings are generated outside Canada, making this a great stock for those with too much domestic exposure. I think the diversification argument for owning this stock is strong. Many Canadian investors are heavily exposed to "dirty" energy options. Adding some exposure to companies like Boralex adds some growth and diversification to investors' energy-related exposure.

Boralex is among the companies I think are best positioned to take advantage of incredible growth in renewable energy demand over the coming decades. This is a company with the majority of its revenues tied to long-term power-purchase agreements. These agreements have an average life of more than a decade. Indeed, growth investors banking on increased demand for Boralex's output are positioned well with this stock.

Fundamentals look strong

As pointed out by fellow Fool contributor Nikhil Kumar, Boralex has some [pretty decent fundamentals](#). He wrote: "The company has a price to earnings ratio of 80.65, a price-to-book ratio of 5.55, a dividend yield of 1.25% and a market capitalization of \$5.42 billion. Debt is prudently managed at Boralex, as evidenced by a debt to equity ratio of 3.20. The company has excellent performance metrics with an operating margin of 31.39% and a return on equity of 0.81%."

Indeed, I think the operating margins are the key thing to note here. This is not a cheap stock from a valuation perspective. However, these kinds of margins are not easily obtainable in the energy sector, broadly speaking.

Bottom line

I think the shift in power in the U.S. we saw recently with the Democratic sweep adds another layer to renewable power plays like Boralex. Indeed, demand for green energy is expected to skyrocket in the years to come. Therefore, I think Boralex's positioning with a focus on the U.S. and Europe are key factors investors ought to consider.

Boralex is still a relatively small-cap company, with a market capitalization of around \$5 billion. Therefore, I see tremendous room for continued stock price appreciation, if investors continue to believe in the power of the growth in renewable energy in the coming decades.

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Date

2025/08/17

Date Created

2021/02/04

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