The 2 Best Canadian Renewable Energy Stocks to Buy in June 2021

Description

Renewable energy stocks delivered exceptional returns in 2020. However, most of the top TSX renewable energy stocks reversed some of their gains and have witnessed a healthy pullback in the recent past, providing investors a solid opportunity to buy these high-growth stocks at the current levels.

I see significant upside in renewable energy stocks thanks to the growing emphasis on carbon footprint reduction. Meanwhile, growing adoption, declining costs, capacity expansion, and significant capital investments provide a solid foundation for growth in the future.

Furthermore, top renewable energy companies are known for paying solid dividends, thanks to their contractual arrangements and ability to generate resilient cash flows.

Brookfield Renewable Partners

Brookfield Renewable Partners (TSX:BEP.UN)(NYSE:BEP) is a top pure-play renewable energy stock that should be a part of your portfolio. Its stock has appreciated by over 160% in three years. Further, the company has consistently raised its annual dividends in the last several years, thanks to its high-quality and diversified assets that generate predictable cash flows.

Amid the heightened volatility in the market, shares of Brookfield Renewable Partners have declined by about 11% this year, providing a good buying opportunity. With its 19,000 megawatts generating capacity and additional 23,000 megawatts of the development pipeline, the company remains well positioned to deliver solid shareholder returns in the coming years.

Its diversified renewable assets, long-term power-purchase agreements, and inflation indexation support my bullish view. Meanwhile, its growing scale, acquisitions, and expense management are likely to accelerate its growth rate. The company targets 5-9% growth in its dividends in the coming years and offers a decent yield of 3.1%.

Northland Power

Like Brookfield, **Northland Power** (TSX:NPI) is another top renewable stock that has generated exceptional returns for its shareholders. Its stock has declined by about 10% this year and looks like attractive long-term bet, thanks to the favourable industry trends, growing asset base, and solid capital-allocation strategy.

I expect the momentum in its business to sustain, reflecting growing capacity with increased contribution from the offshore wind. Its net capacity has grown by a CAGR of 10% in the last five years, while adjusted EBITDA increased at a CAGR of 21% during the same period.

Northland Power's strong competitive positioning, diversified assets, opportunistic acquisitions, and growing global footprint augur well for future growth. The company's solid balance sheet, liquidity, and increased growth pipeline could continue to support its growth and drive its stock higher. Further, the company has consistently paid dividends since 1998 and currently yields about 3.0%. Additionally, its average annual total shareholder return stands at 24%, which is the highest among the peers.

Final thoughts

Both these companies have a diversified portfolio of renewable energy assets and operational capabilities that position them well to benefit from the strong secular industry trends. Further, long-term revenue contracts, strong balance sheets, strategic acquisitions, and seasoned management indicate that these companies could continue to grow at a brisk pace and boost shareholders' returns through capital appreciation and dividend growth.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:NPI (Northland Power Inc.)

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