



Can Renewable Energy Investments Make You Rich?

Description

Is your portfolio diversified? Finding the right mix of income- and growth-focused investments can be a daunting task at times. But where should prospective investors begin? Fortunately, there are plenty of options on the market to consider on the market. An intriguing option to consider that caters to both growth and income objectives are renewable energy investments.

There are plenty of renewable energy investments to choose from. Here's one that should be on every investor's radar.

Hello TransAlta Renewables

TransAlta Renewables ([TSX:RNW](#)) is a long-time favourite of investors seeking growth and income-earning potential. There's a good reason for that view. TransAlta's all-renewable portfolio has facilities in the U.S., Canada, and Australia.

Adding to that global diversification is a further diversification by *type* of facility. TransAlta boasts a well-diversified portfolio of wind, solar, gas, and hydro facilities. Collectively, those facilities have a generating capacity of over 2,500 MW.

Similar to its fossil fuel-burning peers, renewable energy companies such as TransAlta follow a very lucrative business model. In short, for as long as TransAlta continues to generate power, the company will receive a recurring revenue stream. That revenue stream is backed by regulated contracts that can span a decade or more in duration.

In other words, TransAlta generates a stable and recurring source of revenue. But what about earnings and potential?

Earnings and growth abound

TransAlta is a well-diversified investment that continues to invest in growth. The company's [defensive](#)

revenue stream also provides investors with a solid income (more on that in a moment).

In terms of results, in the most recent quarter, TransAlta reported broad improvements across the board. Comparable EBITDA came in at \$123 million, reflecting a \$5 million improvement over the same period last year.

Adjusted funds from operations for the quarter came in at \$93 million, which is in line with the prior period. Net earnings for the quarter saw a \$49 million improvement over the same period last year.

Turning to growth, TransAlta has steadily increased its holdings through a series of well-executed projects and acquisitions. By way of example, in the past eight-year period, the company has completed \$3.4 billion in acquisitions. Two of those acquisitions were closed in the most recent quarter, including a 137 MW wind facility.

Renewable energy investments such as TransAlta have immense long-term potential over their fossil fuel-burning peers. Specifically, there is a global shift towards renewables and away from fossil fuels. While traditional utilities are tasked with spending billions to upgrade and transition to renewables, TransAlta is already there. By extension, this means that TransAlta can (and continues to) invest heavily in growth.

Income potential

One of the key reasons why investors continue to flock to TransAlta is for the [dividends](#) that the company offers. This is due to two key factors: frequency and potential. Let's look at each of these.

Unlike most of TransAlta's peers, and most other stocks, for that matter, TransAlta pays dividends monthly. This simplifies distributions for investors that need to draw on that income and helps longer-term investors build their nest egg.

The potential of a handsome and reliable monthly income source is something that every investor should be aware of. TransAlta's monthly distribution works out to a yield of 4.33%, making it one of the better-paying options on the market. To put that earnings potential into context, a \$35,000 investment in TransAlta would provide investors with \$126 in monthly income.

Not ready to use that income? Making that investment part of your TFSA and reinvesting those dividends until needed will allow some serious tax-free growth.

Final thoughts

No investment is without risk. That being said, TransAlta offers prospective investors both income and growth potential. In my opinion, TransAlta should be a [core holding](#) in any well-diversified portfolio that has renewable energy investments.

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Date

2025/09/09

Date Created

2021/07/30

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dafxentiou

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