2 Top ESG Stocks for RRSP Investors

Description

Canadian investors with an ESG investing strategy are searching for top renewable energy stocks to put in their RRSP portfolios.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) is based in Ontario, but most of the company's assets are located in the United States.

The stock offers investors a chance to get exposure to renewable power assets, including solar, wind, and hydroelectric facilities. The company has added 1.4 GW of renewable power-generation assets since 2000 and another 0.6 GW is on the way by 2023.

Algonquin Power continues to build the portfolio through strategic acquisitions and organic projects. Capital expenditures came in at US$3.14 billion in the first half of 2021. The US$9.4 billion five-year capital plan through 2025 remains on track.

The renewable energy sector has a bright future in the United States with the White House recently saying it wants the country to get to 45% of its power from solar installations by 2050.

Algonquin Power also owns utility businesses that provide residential and commercial customers with electricity, natural gas, and water services.

The company reported strong Q2 2021 results. Adjusted EBITDA rose 39% to $244.9 million compared to the same period last year. Adjusted net earnings per share increased 67%.

The board raised the dividend by 10% in 2021. Steady dividend growth should continue in the next few years, supported by the capital program and any additional acquisitions. Algonquin Power trades near $19.50 per share at the time of writing and provides an annualized dividend yield of 4.4%. The company's DRIP program let's stockholders reinvest the dividends at a 5% discount.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) just announced the addition of North Carolina solar facilities to its holdings. The company is spending US$96.65 million to acquire 122 MW of operating facilities in the state.

TransAlta Renewables owns or has interests in renewable power sites located in Canada, the United States, and Australia. The portfolio includes 24 wind facilities, 13 hydroelectric facilities, and eight natural gas generation sites.

TransAlta Renewables reported Q2 2021 results that came in below the same period last year due to lower wind resources and unplanned outages in the Canadian gas segment. These are short-term issues that shouldn't have an impact on the long-term prospects for the company.

Management reduced guidance for comparable EBITDA to $470-$500 million for the year as a result of the weaker results. The stock dropped about 10% when the Q2 results came out in early August and has continued to trend lower over the past month. At the time of writing, the shares are starting to look oversold. TransAlta Renewables is down to $19.50 from the 2021 high around $24. The weaker 2021 outlook is likely now priced into the shares and positive results in the coming quarters could send the stock back to the $24 mark next year.

Investors who buy TransAlta renewables at the current price can pick up a 4.8% dividend yield.

The bottom line on ESG stocks

Algonquin Power and TransAlta Renewables are good companies with strong portfolios of renewable power assets. They have the means to make strategic acquisitions and pay attractive dividends that should continue to grow.

If you only buy one, I would probably make Algonquin Power the first pick today. It likely has a better dividend-growth outlook, and the company could become a takeover target as investment in ESG companies picks up momentum.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:RNW (TransAlta Renewables)

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