



These 3 Renewable Energy Stocks Are too Cheap to Ignore

Description

Several renewable energy stocks have pulled back sharply in recent months after hitting highs in early 2021. The stock's tepid performance can be attributed to the threat of higher interest rates and steep valuations prior to the sell-off. But, the renewable energy industry is a high-growth one providing multiple opportunities for long-term investors.

Here, we take a look at three renewable energy stocks in **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)), **SunPower** ([NASDAQ:SPWR](#)), and **TransAlta Renewables** ([TSX:RNW](#)) that are trading significantly below all-time highs.

Brookfield Renewable Partners

According to estimates, companies part of the energy and power sectors account for 75% of worldwide greenhouse gas emissions. So, an increase in power generation from clean energy sources may help reduce emissions at an accelerated pace. Brookfield Renewable is one of the largest renewable power companies with assets across hydro, solar, and wind verticals.

Brookfield has close to 20 gigawatts of renewable generation assets and a pipeline of 31.4 gigawatts in development. The company has already invested US\$7 billion to expand its base of cash-generating renewable power assets since 2012, allowing it to improve normalized funds from operations at an annual rate of 10% in the last decade.

Further, Brookfield Renewable Power has increased dividends at an annual rate of 6% since 2010 and its forward yield currently stands at 3.2%.

The stock is currently trading 22% below all-time highs, allowing investors to purchase a stock that has returned 15% annually to investors since 2001.

SunPower

Shares of SunPower are down 43% from all-time highs, valuing the company at a market cap of \$5.1 billion. In 2021, SunPower disclosed its plan to exit the commercial solar business. In the last few years, it already exited the solar manufacturing business as well as the utility-scale solar business. It [also acquired Blue Raven Solar](#), which suggests SunPower will now manufacture systems in-house instead of outsourcing the process to third-party manufacturers.

In the first six months of 2021, SunPower installed 204 megawatts of residential and light commercial solar. Further, in Q2, its gross margins rose to almost 20%, up from just 11.8% in the prior-year period. The company managed to add 13,000 residential customers in the June quarter, widening its customer base to 376,000. SunPower's new homes backlog was also up 10% on a sequential basis.

TransAlta Renewable

The final stock on my list is TransAlta Renewable, which is down 17% from all-time highs. Valued at a market cap of \$5 billion, RNW stock has [more than doubled investor returns](#) in the last three years.

Last month, it entered into a definitive agreement to acquire a fully contracted 122-megawatt solar portfolio in North Carolina for around \$120 million. These assets are forecast to generate annual EBITDA of US\$9 million and a distributable cash flow of US\$7 million.

TransAlta Renewable PresidentvTodd Stack emphasized, "This purchase marks an important and significant expansion of our solar footprint in the United States and is a natural fit for TransAlta Renewables given our focus on diversified, highly-contracted cash flows from strong counterparties."

Analysts tracking TransAlta Renewable expects the stock to return close to 14% in dividend-adjusted gains over the next year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:SPWR (SunPower Corporation)
2. NYSE:BEP (Brookfield Renewable Partners L.P.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:RNW (TransAlta Renewables)

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