



Polaris Renewable Energy (TSX:PIF): This Green Energy Stock Offers a 5.8% Dividend Yield

Description

One of the few predictable aspects of the economy these days is the transition to clean energy. The transition away from fossil fuels was accelerated last year when oil and gas prices skyrocketed. Now, this trend is set to continue, as governments impose restrictions on emissions and consumers firmly embrace a cleaner future.

Toronto-based **Polaris Renewable Energy** ([TSX:PIF](#)) could be one of the key beneficiaries of this trend. Here's a closer look.

Overview

Toronto-based Polaris owns and operates renewable energy plants across Latin America. The operations include six active hydro, geothermal and solar energy projects and one development project in countries like Panama, Peru, Nicaragua, and the Dominican Republic.

The business has expanded at a reasonable clip in recent years, but the management team is looking at more acquisitions to fuel growth in the years ahead.

Outlook

In the medium term, the company expects to reach a power output of 1,000 megawatts. Much of this should come from the completion of its ongoing development projects and acquisitions of new infrastructure.

Polaris benefits from two tailwinds: economic growth in Latin America, and the transition to renewable energy.

The economic output of the Latin American region grew 3.4% in 2022. In the years ahead, regions like Mexico and Panama are expected to see above-average growth. As these economies develop, their

consumption of energy in the form of electricity could accelerate.

Meanwhile, the region is already a clean energy trailblazer. 50% of electricity consumed in Latin America and the Caribbean region is derived from hydroelectric plants, according to research by GlobalData Energy. By 2030, the amount of wind and solar energy generated here will jump two-fold and four-fold respectively.

That's a trillion-dollar opportunity companies like Polaris are hoping to tap into. Excitement about Polaris's prospects peaked in 2007 — when the stock was trading at \$18,000 a share. Now, it trades at just \$13.88 — a dramatic revaluation.

Valuation

Polaris could be more reasonably valued now. The company's market capitalization is just \$291 million, while it generated \$45.7 million in revenue in the first nine months of 2022. Annualized, the company could be on track for \$60 million or more in revenue this year. That means it trades at a price-to-sales ratio of 4.8.

Polaris also declared \$1.68 in adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) in the first three quarters of 2022. Assuming the company generates \$2 in EBITDA in 2023, the stock is trading at a multiple of 6.9. That's reasonable for a mature energy infrastructure company.

Polaris is also cash flow positive, which means it has spare cash to offer shareholder rewards. This year, the stock offers a [dividend yield](#) of 5.8%. That's higher than the stock market average and in line with the rest of the energy sector.

Investors looking for a dividend-growth story should add this [stock](#) to their watch list.

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