



Analytics

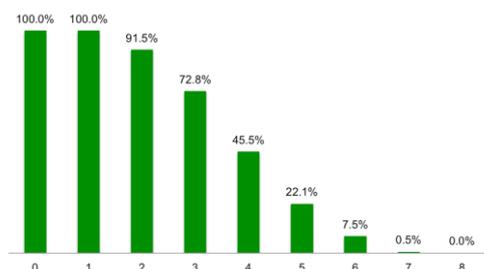
# Outperformers Analysed: RE Stocks

By Mehtap Kiliç

The perception that renewable energy companies do not perform well is an out-dated statement, which is incorrect. There are indeed, as in any other sector, companies that structurally perform worse than the market. However by using the EF-I Energy Investments Database we observe that there are subsectors that consistently outperform the market as biomass and re-assembly stocks. Also stocks from US RE companies are outperforming the market more regularly.

We analyzed the returns of the stocks of 213 (global) companies who generate at least 50% of their revenues in the renewable energy industry (biomass, wave and tidal, photovoltaic, solar power, geothermal energy, wind energy, hydropower or fuel cell) active in the whole value chain. By relating the total return of each stock to the returns on crude oil and a stock market index, we obtained estimates of risk-adjusted relative performances. We use data from January 2012 until September 2015, which is equal to eight semi-annual periods.

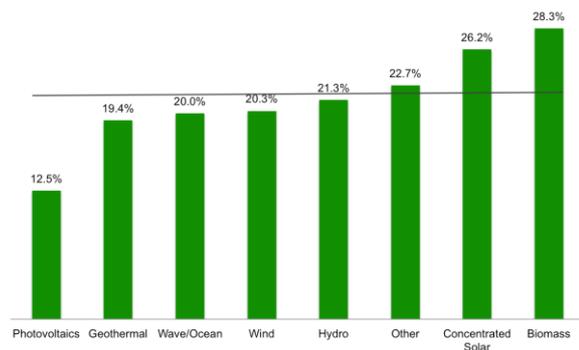
**Figure 1: Renewable energy stocks # semi-annual periods with pos. alpha (cumulative (%))**



Note: January 2012 until Sept 2015, 8 semi-annual periods. Fig. 1 shows that 45.5 percent of the stocks consistently outperformed in more than 4 out of 8 observation periods. Apparently, more than 50 percent of the renewable energy stocks underperformed half of the time. However it would be interesting to find out if

there are particular RE sources or stocks of companies active in a certain stage of the sustainable energy value chain who have a more consistent outperformance.

**Figure 2: Renewable energy stocks (RE source) with >5 # pos. alpha's (%)**

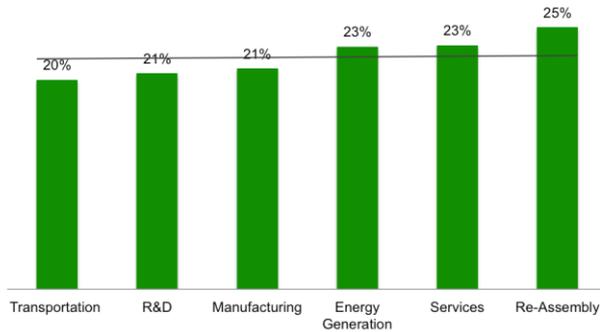


Note: January 2012 until Sept 2015, 8 semi-annual periods.

In Fig. 1 we observe that 22.1 percent of the 213 stocks outperformed in more than 5 out of 8 observation periods. Fig. 2 shows the percentage of all stocks that outperform the market in five or more semi-annual periods (22.1%) allocated according to the RE source in which the international companies are operating. The performance measures show that stocks of companies active in concentrated solar (23%) and biomass (26%) are outperforming the market frequently. In the photovoltaic sector only 13 percent of the

companies are performing better than the market in five or more semi-annual periods.

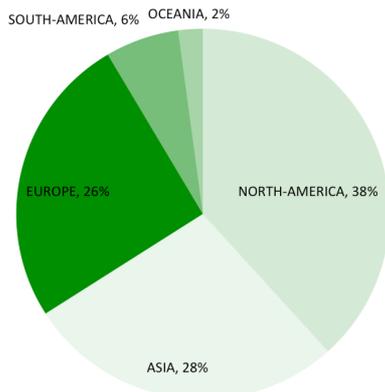
**Figure 3: Renewable energy stocks (RE stage) with >5 # pos. alpha's (%)**



Note: January 2012 until Sept 2015, 8 semi-annual periods.

Fig. 3 shows the percentage of all stocks that outperform the market in five or more semi-annual periods (22.1%) allocated according the RE stage of the value chain in which the international companies are active. The performance measures show that stocks of companies active in energy generation (23%), services (23%) and re-assembly (25%) are performing slightly better than the other companies active in the other stages of the value chain. However there is no RE stage that clearly performs the best. Therefore we cannot state that companies active in a certain RE stage are outperforming the market more frequently than any other.

**Fig. 4: Renewable energy stocks with >5 # pos. alpha's (%) at continent level**



It is also possible that the outperformance of the RE companies are regional, because of the high governmental subsidies provided to the RE industry. Figure 1 gives the results of the stocks of the different companies that outperform the market in five or more semi-annual periods (22.1%) segmented among the different continents. Most of the outperforming companies (38%) are situated in North America and between the 26 and 28 percent in Asia and Europe.

**Table 1: Renewable energy stocks with >5 # pos. alpha's (%) at country level**

CANADA	6%	CHINA	9%
UNITED STATES	32%	HONG KONG	9%
IRELAND	2%	INDIA	2%
ITALY	2%	MALAYSIA	2%
GERMANY	6%	TAIWAN	2%
GREECE	2%	THAILAND	2%
SPAIN	2%	JAPAN	2%
SWITZERLAND	2%	BRAZIL	4%
UNITED	9%	CHILE	2%
		AUSTRALIA	9%

At county level we observe in Table 1 that in North America especially RE companies based in the United States (32%) are the outperformers and in Asia stocks from Chinese (9%) and Hong Kongese (9%) companies. In Europe stocks of companies based in the United Kingdom (9%) are the ones performing the best.

Gaining more insight in which renewable energy stock, according to their subsector and region, outperforms the market in a consistent matter will increase the trust in picking the right renewable energy stocks. This will trigger more investments towards these subsectors and move our energy sources more towards renewable energy.

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