



## 3 Reasons to Like Innergex Renewable Energy Inc.

### Description

**Innergex Renewable Energy Inc.** ([TSX:INE](#)) is one of a growing number of companies on the market that are generators of renewable energy. Renewable energy has historically been viewed as an inefficient, expensive, and non-scalable alternative to the current mix of fossil fuel-burning energy sources.

While there are weak arguments to support some of these claims, most have been debunked over the years, and the price of generating renewable energy has come down considerably to the point where it is now competitive with fossil fuels in some markets.

Innergex is an independent renewable power producer that has a portfolio of hydro, solar, and wind facilities across British Columbia, Ontario, and Quebec in Canada, Idaho in the U.S., and in France.

Why should you consider Innergex? Here are three reasons.

#### 1. Renewable energy adoption is set to grow

Renewable energy has been gaining in popularity for years, but it's only in the past two years that we've seen a significant commitment from some provincial governments and now the federal government to finally take renewable energy seriously. Granted, Ontario recently canceled some renewable energy pledges, but overall the sentiment and future remains positive.

Part of that commitment to renewable energy involves setting targets for certain renewable energy sources. Most provinces have already established aggressive targets that can only be met by winding down fossil fuel-generating facilities and replacing them with renewable energy sources. And this is where the potential for Innergex and other renewable energy companies begins to materialize.

Innergex already has 35 facilities in operation across both the U.S. and Canada with a further seven facilities located in France. In total, these facilities generate over 817 MW of electricity. By way of comparison, one MW is largely considered to be the amount of electricity required to power up to 200 homes in Canada.

Innergex also has an additional 146 MW of facilities under construction in both B.C. and Quebec.

## **2. Energy generation draws a massive defensive moat**

One of the things I love about the energy industry as an investor is that energy providers such as Innergex are providing a necessary service that consumers, for the most part, take for granted. You don't question why your lights are on—you accept it. Innergex will generate the electricity, and a utility will deliver it.

Energy providers have contracts over their facilities that stipulate how much revenue will be paid for every MW of power in what is referred to as a power-purchase agreement (PPA). Typically, these agreements can last up to 40 years or the lifetime of the facility.

In other words, once Innergex has a facility up and running, it will generate electricity and revenue from the PPA—for up to 40 years.

## **3. Innergex is a solid performer with a great dividend**

Innergex pays a quarterly dividend of \$0.16 per share, which, at the current price of just over \$15, results in a very healthy 4.25% yield. In terms of stock growth, year-to-date, Innergex is up by 33%.

In the most recent quarter, Innergex posted \$87.7 million in revenue, an increase over the \$70.1 million posted for the same quarter last year. Adjusted EBITDA for the quarter came in at \$66.86 million, reflecting an increase over the \$53.41 million reported last year.

Net earnings for the quarter came in at \$15.7 million, or \$0.19 per share, which is lower than the \$22.5 million or \$0.21 per share reported in the same quarter last year. Innergex attributed much of the difference to increased revenues realized from hydroelectric facilities in B.C. and the contribution of facilities that were acquired or commissioned.

In my opinion, Innergex is a great investment opportunity for those investors seeking long-term growth in a growing area of the economy. Renewable energy is going to become even more a part of our daily lives, and companies such as Innergex stand to benefit from the huge opportunity that it presents.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:INE (Innergex Renewable Energy Inc.)

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