Want a Renewable Energy Investment With Growth Potential?

Description

Renewable energy stocks are some of the most lucrative opportunities on the market, yet they consistently fly under the radars of most investors, who still view renewable energy as inefficient, expensive, and years away from mass adoption.

That could not be further from the truth.

Over the course of the past decade, renewable energy has quietly undergone a massive transformation, attracting a wave of new investment and interest. Solar and wind power are two of the most promising sources of electricity generation for the next generation, and renewable energy facilities are being selected in lieu of fossil fuel burning plants across the world as proof of this.

Last year, worldwide investments into solar power surpassed the combined total of coal, nuclear, and natural gas powered facilities. Looking solely at the U.S. market, solar power is slated to grow from under 10% to 36% of all electricity generation over the next 30 years.

Wind poses a similar opportunity for growth. Over the past decade in the U.S., net wind power generation has grown over 600%, and industry pundits view that as barely scratching the surface in terms of potential, as renewable energy facilities will continue to replace aging fossil fuel facilities as well as account for all new facilities coming online.

Energy distributors and operators sell their generated electricity at regulated rates that are devised to be fair compensation for the company generating the electricity as well as reasonable for the consumers who are going to pay for electricity through their monthly bills.

Those regulated rates are set out in contracts known as power-purchase agreements, or PPAs, which often run more than two decades in duration.

It sounds like an intriguing growth opportunity, right?

Enter **Innergex Renewable Energy Inc.** (TSX:INE). Innergex is a Quebec-based owner and operator of hydro, wind, geothermal, and solar farms that are situated across British Columbia, Ontario, Quebec, and Idaho in North America. Innergex also has several facilities in Iceland and France.

Investors looking at long-term prospects will take solace in the fact that the bulk of Innergex's over 50 facilities have PPAs that run to 2030 or later, with only a handful coming up for renewal over the next five years. Innergex offers investors a quarterly dividend that pays an impressive 5.08% yield, which has seen consecutive annual hikes over the past five years. Innergex has been steadily improving its dividend-payout ratio, which has dropped nearly 10% over the past year to ~80%.

In terms of growth prospects, Innergex acquired Alterra Power earlier this year in a $1.1 billion deal set to push Innergex's already impressive portfolio to a new capacity of 2,000 MW by 2020 thanks to Alterra's nine renewable facilities. That deal is set to close later this year pending regulatory approvals.

Innergex plans to announce first-quarter results for 2018 next month, so until then we should look at the results from the fourth quarter of fiscal 2017. In that quarter, Innergex reported revenue of $107.9 million, surpassing the $73.26 million reported in the same quarter last year. Adjusted EBITDA came in at $80 million, ahead of the $50.2 million from the same quarter in 2016.

What makes Innergex such a good investment?

Innergex has a growing portfolio of facilities, an aggressive stance towards expansion, and offers investors an improving dividend that pays handsomely. While the stock may seem a tad expensive at current levels for some investors, especially when compared to some of the more established, traditional utilities, the fundamentals and prospects for Innergex over the long term remain as strong as ever.

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