



Why This Renewable Energy Investment Is Huge

Description

Awareness of climate change has reached critical mass in recent years, and fossil fuel [energy providers](#) and governments alike have finally realized that change is necessary. That realization has spawned a flurry of investment that continues to drive costs down and efficiency of renewable energy facilities up with each passing year.

Renewable energy companies such as **Innergex Renewable Energy Inc.** ([TSX:INE](#)) offer investors an opportunity to reap the incredible rewards from this still-emerging shift in energy production and distribution.

Innergex is a well-diversified company with facilities in North America, South America, and Europe. The 65 existing facilities include hydro, wind, solar and geothermal elements. Utilities that generate power will typically sell and distribute that power to the communities they serve through regulated contracts that set out the amount of power to provide and how much the utility will be reimbursed.

Known as Power Purchase Agreements (PPAs), those agreements can span several decades or more, thereby providing a recurring and stable source of revenue for the utility.

In the case of Innergex, over 70% of the active PPAs have expiration dates that are at least a decade out, and nearly half of those contracts expire 30 years from now.

Growth and income prospects

Despite the stable and recurring revenue stream, Innergex continues to be a viable growth option. The company has several new facilities under construction, including a massive solar project in Winkler County in Texas, where the 315MW facility coming online next year will have sufficient generating capacity to power 53,000 homes.

Earlier this month, Innergex completed a deal to purchase two hydro facilities in Chile, which together generate 140 MW of power. That deal followed two others this past spring in which Innergex bought the remaining 33.3% interest of Creek Power Inc. in British Columbia, as well as the \$1.1 billion purchase of Alterra Power.

One of the most attractive aspects regarding Innergex is the company's quarterly [dividend](#). The current payout, which is based on a percentage of free cash flow, amounted to 79% in the first fiscal of 2018, which translates into a very respectable 4.93% yield.

Why you should invest in Innergex

Investors should consider Innergex for two key reasons.

First, the company is in a state of growth, with several facilities that are recently acquired or completing construction that are set to come online and contribute to earnings over the next year. The costs associated with those projects misleadingly make the company appear less of an appealing investment than it really is.

By example, in the first fiscal of 2018, Innergex reported an adjusted net loss of \$7.2 million that can be attributed to those costs despite registering an incredible 58% increase in revenue year-over-year. This has misleadingly contributed to Innergex's share price dropping nearly 7% over the course of the past year, which provides long-term investors with an opportune time to buy.

Finally, Innergex's dividend has seen annual or better upticks for the last five consecutive years, and given the current bevy of projects coming online in multiple markets, that trend is likely to continue for the foreseeable future.

Innergex is a compelling investment option, and in my opinion should be one of several key renewable investments that should be core to every portfolio.

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