Save the Planet and Get Rich With This Energy Provider

Description

Over the course of the past few years, the stereotype of renewable energy companies has changed. What were once considered expensive, inefficient, and not worthy of investment are now some of the most impressive long-term options on the market today.

In fact, even some traditional fossil-fuel-burning companies are now adding their own renewable energy segments to secure their future.

Innergex Renewable Energy (TSX:INE) is a developer and provider of renewable energy facilities with operations that span across Canada, the U.S., France, Iceland, and, more recently, Chile. Innergex's facilities include geothermal, hydro, solar, and wind elements.

What makes renewable energy an attractive investment?

There are three primary reasons that a potential investor should be looking at a renewable energy company.

First, there's the business model. Power providers, whether they are renewable or not, are, for the most part, regulated and bound by contracts referred to as power-purchase agreements, or PPAs. The PPA stipulates how much power the company will provide to the communities it serves, and at what cost the company will be compensated for producing (and often distributing) that power.

PPAs can span multiple decades, and Innergex is a perfect example of how lucrative this model can be. Of the 70 sites that Innergex owns or operates, well over half have a PPA expiration date that is at least a decade away.

To put it another way, utilities receive a steady stream of income that can last for decades.

While the first point I made also applies to fossil-fuel-burning utilities, renewable energy companies like Innergex also benefit from the growing adoption and acceptance of renewable energy as a whole. As a fossil-fuel-burning facility comes up for its renewal, local communities are increasingly considering renewable energy facilities instead of their fossil-fuel-burning predecessors.

Finally, there's the dividend. A secure stream of recurring revenue provides utilities with the opportunity to pay out some of the highest yet still stable yields on the market. In the case of Innergex, the company provides a very appetizing 4.93% yield that is distributed quarterly that has also seen annual hikes going back at least five years. Dividend-payout consistency and growth is often a major concern for investors contemplating a utility, as the historically high payout levels are often the first victims to suffer in an environment of interest rate hikes. Fortunately, Innergex's recent results put that fear to rest.

What about results?

In the most recent quarter, Innergex reported a 37% improvement in revenue over the same quarter last year, coming in at $149.5 million. Net earnings for the quarter also realized an uptick, with the $16.8 million reported handily beating the same period last year by $2.9 million.

The impressive results also meant that free cash flow improved by $15.6 million to $91.5 million, which in turn also pushed the payout ratio of the company's dividend down to 88%.

Despite the impressive results, Innergex's current stock price has dropped over 8% year to date, which provides would-be investors the perfect opportunity to buy a great long-term energy stock at a discounted price.

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