



## This High-Yield Stock Is Perfect for Long-Term Investors

### Description

**Innergex Renewable Energy** ([TSX:INE](#)) is a name that most investors, particularly those looking for an income-producing stock with plenty of long-term potential should be aware of, and for good reason too.

The company owns a host of renewable energy facilities scattered across North and South America, as well as several facilities in France. The current complement of 70 sites includes solar, wind, hydro and geothermal elements, but that mix is set to change as Innergex announced this week a deal to offload its Icelandic assets, noting that Innergex's non-operatorship role of the assets aren't consistent with the long-term direction and markets that the company has moved toward in recent years.

Proceeds from the sale price of US\$304.8 million will be directed toward reimbursing the one-year credit facility of \$228 million, as well as deleveraging corporate facilities.

As a result of the transaction and the three sites that it includes, Innergex will see an overall drop in gross capacity of 183.9 MW, which also translates into updated financial guidance for the remainder of the year, which was announced alongside the asset sale.

Specifically, Innergex is now forecasting that power generated for the year will increase just 10% instead of the 20% previously forecast, while revenues are now forecast to see gains of 7% for the fiscal rather than the previously stated 15%. Adjusted EBITDA is also expected to take a dip to 11% over the previous 15% figure, while Free Cash Flow for the year is set to still see a 10% increase.

One of the primary benefits of investing in a power company comes in the form of the Power Purchase Agreement (PPA). The agreement stipulates how much of the utility is to be provided and how much compensation is going to be received for providing that service. The agreements can span a decade or more in duration, translating into a long periods of recurring revenue for the company.

In the case of Innergex, the weighted average term of those PPAs now comes in at a very respectable 17.4 years, and 20 of the company's remaining facilities have a PPA expiration date of 20 years out or more.

Perhaps the most popular reason to consider Innergex comes in the form of the company's [lucrative dividend](#). The currently quarterly yield comes in at a respectable 4.83%, and has maintained a precedent of providing regular upticks to that dividend stemming back several consecutive years.

## Should you buy?

Innergex represents a great long-term investment option, albeit a deceiving one. On the one hand, the growing need for renewable energy on a global scale is something that is going to fuel growth in the sector for a decade or more, particularly as fossil-fuel burning utilities see their own PPAs wind down or end prematurely. When compared with those traditional players, Innergex is already a step ahead of the game.

Then there's the dividend. The 4.83% yield sounds attractive, but skeptics often point to the fact that it seems a little on the high end, especially given income and cash levels. To counter that, investors should note that Innergex is constantly seeking out new sites to add to its portfolio, which, according to Innergex, have a combined potential net capacity of over 8,000 MW, or roughly double the company's current installed base.

In my opinion, Innergex remains a long-term [option for income-seeking investors](#) looking to diversify their portfolios with a renewable energy investment.

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