



This Hot Renewable Energy Play Just Posted Another Strong Quarter: Is it Time to Hop On?

Description

Shares of renewable power producer **Boralex** ([TSX:BLX](#)) gained 2.1% on Thursday after posting better-than-expected Q2 results. EPS clocked in at negative \$0.14, topping the consensus by \$0.03, as revenue jumped 27.4% to \$121 million.

EBITDA for quarter spiked 44% to \$83 million, while adjusted funds from operations (AFFO) — a key discretionary cash flow metric — clocked at \$16 million.

Overall, it was a solid quarter for the company, and Bay Street rightly rewarded shareholders.

So what?

Given Mr. Market's positive reaction, it's tough not to be happy with Boralex's Q2. To be sure, though, the company benefited nicely from favourable wind conditions during the quarter.

The company's total power production improved 30% year over year, driven largely by good conditions in its wind and hydroelectric power segments.

In the wind power segment, production volume improved 13% at its existing sites. And when you include the commissioning of its Moose Lake wind farm in early April, the segment was up 17%.

Meanwhile, production volumes for Boralex's U.S. and Canadian hydroelectric power stations increased 32% higher than last year.

Overall, Boralex's improved numbers were attributable to solid production from sites acquired in the past 12 months as well as strong results at existing sites.

One thing is for certain: Boralex's Q2 reinforces the bullish thesis that it is a fast-growth company operating in a fast-growth industry. In addition to strong production growth, Boralex managed to plant even more seeds for the future.

During the quarter, Boralex was awarded wind power contracts totaling 68 MW and was also given the "green light" from the Scottish government for its Limekiln Wind Farm (90 MW). Moreover, management saw faster-than-expected development of potential U.S. solar projects.

"As we said at our Investor Day on June 18, there is significant development potential in the segments we are targeting going forward and in which we have proven expertise," said President and CEO Patrick Lemaire. "Our people are quickly preparing the way for the initiatives that will allow us to carry out our strategic plan and achieve our financial objectives."

Now what?

Management reaffirmed its three main financial objectives set for 2023:

- AFFO of \$140 million-\$150 million, representing compound annual growth of about 20%;
- Pay an ordinary dividend with a payout ratio of 40%-60% of AFFO;
- Develop a portfolio of assets with gross installed capacity of over 2,800 MW.

There's obviously a long way to go to 2023, but Boralex's current level of production, as well as several attractive growth initiatives, suggests that the company is tracking nicely towards those long-term objectives.

Following yesterday's 2% gain, the stock is now up 20% year to date and trades at an EV/EBITDA of 17.3. That's not exactly cheap. But given the company's positive operating momentum and strong industry tailwinds, it's tough to bet against the stock.

And with a healthy dividend yield of 3.2%, patient investors can even get paid to wait.

Fool on.

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