



## Why Innergex Renewable Energy (TSX:INE) Stock Can Create Long-Term Investor Wealth

### Description

The world needs to invest heavily in renewable energy to fight climate change. There is no turning back, as time seems to be running out to save the environment. It is very likely that world leaders will pump in billions into the renewable energy sector.

Canada's candidates for prime minister, such as Justin Trudeau and Jagmeet Singh, have outlined fighting climate change and global warming as a top priority. So, it seems like a no-brainer that renewable energy stocks will be a solid bet not just in the short-term but maybe for the next two decades or longer.

One such stock is **Innergex Renewable Energy** ([TSX:INE](#)). Let's have a look at its business segments, growth metrics, valuation and more.

### INE stock has a huge addressable market

Innergex Renewable Energy is a Canada-based renewable power producer. It owns, develops, and operates renewable power generating facilities and has four business segments. The business segments are hydroelectric, wind, solar, and geothermal, and respectively accounted for 41.4%, 38.8%, 3.3% and 16.5% of sales in 2018.

INE has over 30 facilities and net installed capacity exceeding 700 megawatts. It generated over 67% of sales from Canada in 2018. The U.S, France, and Iceland accounted for 1.2%, 15.1% and 16.5% of sales respectively last year. The geothermal business is focused on Iceland and was a key revenue driver for the firm.

Canada is the seventh-largest renewable energy producer in the world and accounts for 3% of world production. However, 17.3% of Canada's energy supply is via renewable energy, much higher than the global average of 13.4%.

Hydro accounts for the majority of renewable energy production, followed by solid biomass, wind, and ethanol. Canada, in fact, accounts for 10% of the world's generation of hydroelectricity.

## Solid revenue growth for INE

Innergex Renewable Energy has increased its revenue from \$293 million in 2016 to \$577 million in 2018. In the [first quarter of 2019](#), INE grew revenue by 24% while in the June quarter sales were up by 16% year over year.

Though sales are estimated to decline by 2.6% to \$562 million this year, analysts expect it to grow by 6% to \$595.7 million in 2020.

Analysts also estimate INE's earnings to fall 19% in 2019. But it is then expected to rise by 106% in 2019 and at an annual rate of 26% in the next five years. This suggests earnings will rise by an annual rate of a robust 41% between 2020 and 2023.

INE stock is trading at a forward price-to-earnings multiple of 46, which might seem high but it is actually reasonable, considering its long-term earnings growth and accounting for the stock's dividend yield of 4.6%.

## The verdict

Shares of Innergex Renewable Energy are trading at \$16.08. The stock has gained 25% year to date, easily outperforming broader indices. Now the question is, will the stock move higher?

INE's market position in the hydroelectric space will hold it in good stead. As noted, hydro is the largest renewable energy segment in Canada. Further, INE has a geographically diversified portfolio of assets across hydro, wind, and solar segments.

Analysts covering INE have a 12-month average target price of \$16.5 which is just 2.6% above the stock's current trading price. This stock has the potential to generate multifold returns over the next decade.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:INE (Innergex Renewable Energy Inc.)

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araghunath

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