



Build Wealth by Buying This Renewable Energy Stock Yielding 4%

Description

The push to reduce greenhouse emissions and minimize the impact of climate change has seen renewable energy, particularly for electricity generation, grow at a rapid clip.

Clean forms of energy generation now account for around a third of global installed capacity, and demand continues to rise with many governments setting aggressive clean energy targets in the wake of the 2015 [Paris Agreement](#) on climate change. This will act as a powerful tailwind for renewable energy companies.

One poised to perform strongly and deliver considerable value for investors is **Innergex Renewable Energy (TSX:INE)**. The company, which pays a regular quarterly dividend with a 4% annual yield, has gained 31% since the start of 2019 and is poised to deliver further value.

Diversified portfolio

Innergex owns a globally diversified clean energy assets across Canada, the U.S., France, and Chile with net installed capacity of 2,338 megawatts (MW). Wind power at 64% of installed capacity is responsible for the majority of the company's electricity generation followed by hydro at 34% and solar making up the remainder.

The renewable energy producer reported some solid third-quarter 2019 results, underscoring the progress it is making unlocking value. Electricity output grew by a notable 35% year over year, giving revenues a 23% lift and boosting EBITDA by 28%. The healthy increase in electricity generation can be attributed to the addition of wind and solar facilities over the last year.

Earnings will continue to grow at a steady clip. Innergex has seven projects under development with four solar plants being constructed in the U.S., two hydro facilities in Canada, and one in Chile. Those facilities are expected to be completed by 2022 and will give electricity output, and hence earnings, a solid lift.

A stronger economy in the U.S. and Canada, because of the Fed's latest interest rate cut and growing

optimism that the trade between the U.S. and China will be resolved, will drive greater demand for electricity, boosting prices and earnings. This because there is a recognized correlation between rising gross domestic product (GDP) and higher consumption of electricity.

Demand for electricity is highly inelastic, while the barriers to entry for the electric utility industry are quite high, meaning that Innergex possesses a wide economic moat and defensive characteristics as a traditional power-generating business.

While investors wait for the renewable power utility's stock to appreciate, they will be rewarded by its dividend yielding a juicy 4%. The payment appears sustainable with a free cash flow payout ratio of 93%, which will all as earnings and free cash flow expands.

Foolish takeaway

Innergex offers the ability for investors to profit from the [secular trend](#) to renewable sources of energy, the increased optimism surrounding the global economic outlook and growing electricity consumption.

While it is well positioned to benefit from the rapidly rising demand for clean energy, Innergex also possess solid defensive credentials, which makes it highly resistant to economic downturns. For these reasons, Innergex is the ideal buy-and-hold stock to create wealth over the long term, making now the time to buy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:INE (Innergex Renewable Energy)

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Date

2025/09/17

Date Created

2019/11/25

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