



## 1 Renewable Energy Stock Yielding 6% to Buy Today and Profit in 2020

### Description

**Polaris Infrastructure** ([TSX:PIF](#)) is a micro-cap renewable energy company with assets in Nicaragua and Peru. It has proven itself capable of [delivering value](#) for investors, despite the ongoing political ructions in Nicaragua and softer economic outlook in both Latin American nations, gaining an impressive 36% over the last year. There are signs that Polaris will deliver further gains over the course of 2020, although it maybe a bumpy ride for investors.

### Quality Latin American assets

Polaris owns the San Jacinto geothermal power facility in Nicaragua and hydro assets in Peru, which it acquired in 2018. Nicaragua, which once had one of the fastest-growing economies in Latin America, has been convulsed by civil unrest since President Daniel Ortega attempted to reform pensions and social security in the country. Since then, it has also been hit with U.S. sanctions, which — combined with ongoing unrest and the political crisis engulfing the country — has caused economic growth to stall.

The IMF predicted that the gross domestic product would contract by 5% in 2019 and will do so again in 2020 by almost 1%. That doesn't bode well for electricity demand and was a key reason for Polaris being sharply sold off when the crisis hit.

Nonetheless, Polaris thus far appears relatively immune to the economic fallout and reported some solid third-quarter 2019 numbers, which should be repeated for the fourth quarter. For the first nine months of 2019, the 72-megawatt (MW) San Jacinto plant generated 61.2 MW of electricity, which was marginally higher than the 61.1 MW produced for that period a year earlier.

Electricity output from San Jacinto should increase during 2020, because Polaris is focused on optimizing operations at the plant and boosting the amount of steam generated by existing wells.

More importantly, the renewable energy utility announced that it had completed construction of the eight MW El Carmen and 20 MW 8 de Agosto run of river hydro plants in Peru. Once those plants reach full commercial production, it is expected that the plants will add US\$7 million to US\$9 million to

Polaris's annual EBITDA.

The operational Canchayllo hydro plant, also located in Peru, which was also obtained as part of the purchase of Union Energy in 2018, performed according to expectations and is expected to generate 28,000 to 31,000 megawatt hours (MWh) annually. That would see it contribute up to US\$16 million in revenue to Polaris, further boosting its earnings and reducing the utilities dependence on strife-torn Nicaragua.

This further reduces Polaris's exposure to geopolitical risk, because Peru is one of the more stable nations in Latin America, and give its earnings a solid boost.

Polaris rewards shareholders through the payment of a sustainable quarterly dividend, which is currently yielding a very juicy 6.5%. The sustainability of that payment will improve significantly, as earnings from the electric utility's operations in Peru grow.

## Foolish takeaway

Polaris is an attractively valued play on the growing adoption of renewable power and greater demand or electricity in Latin America. While a sharp increase in geopolitical risk in the region will continue to weigh on its short-term outlook, Polaris's stock [will soar](#) as that risk steadily decreases and its earnings from Peru grow.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:PIF (Polaris Renewable Energy)

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