1 Green Energy TSX Stock to Buy on Any Weakness

Description

If you're looking at green energy stocks, you're probably excited to buy one. You're right to be excited, as green energy stocks are in demand, especially in the current scenario, where a high level of uncertainty is surrounding the market. Their highly contracted business makes them immune to the economic cycles and ensures steady cash flows.

Investors should note that most of the renewable energy stocks have outperformed the broader markets so far this year and are trading at high valuations. However, any weakness in these stocks presents a good entry point to buy and hold them for the long term. One such green energy stock that is a buy on any weakness is **Innergex Renewables Energy** (TSX:INE).

Similar to other renewable stocks, Innergex outperformed the broader markets and is up more than 13% this year. The company has a diversified portfolio of high-quality renewable assets, including solar farms, hydroelectric facilities, and wind farms. The company currently has a net installed capacity of 2,558 MW.

Resilient business

Innergex's business comes under essential services, which implies that COVID-19 outbreak had minimal impact on its operations, and it continues to operate all its facilities uninterrupted. Meanwhile, more than 95% of the company's revenues are contracted to government-backed utilities. Further, these long-term power-purchase agreements mostly come with protection to mitigate the negative impact of reduction in demand. Also, Innergex has no debt maturities until 2023, which eliminates most of the liquidity risk.

Innergex's strategic alliance with Hydro-Québec is likely to accelerate growth in the coming quarters through investments in bigger and diversified projects. The company's construction and development projects continue to proceed well, which will increase its power-generation capabilities.

In the most recent quarter, Innergex's revenues went up by 5%. However, adjusted EBITDA fell by 3%. Moreover, the company continues to report an adjusted net loss from the continued operations. However, the adjusted loss narrowed from the prior-year quarter.

The numbers look a lot better on a proportionate basis (including its share of revenues and EBITDA from joint ventures and associates). The company's revenues proportionate increased by 11%, while adjusted EBITDA proportionate rose by 9%.

Don't let the valuation scare you

While Innergex's business model looks attractive, its valuation could be a cause of concern for some. Innergex stock trades at next 12-month EV-to-EBITDA ratio of 14.3. Moreover, it trades at the next 12-month EV-to-sales ratio of 12.4. Both seem relatively expensive when compared to other industries. However, the majority of renewable energy stocks are currently trading at similar valuation multiples.

If you're a long-term investor, you shouldn't worry much about Innergex's current valuation. Moreover, any weakness in the Innergex stock should be considered as a good entry point.

Investors should note that the demand for renewable power is only going to increase in coming years, which acts as a tailwind for the sector. Also, Innergex is a Dividend Aristocrat, thanks to its ability to generate stable cash flows. Innergex stock currently offers a respectable dividend yield of 3.8%.

CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Energy Stocks
3. Investing

Date
2025/07/07
Date Created

2020/05/13
Author
snahata