



This Renewable Energy Stock Gained 13% Since the Start of 2020

Description

Canadian stocks were pummeled by the coronavirus pandemic and resulting economic fallout. Along with other major markets around the globe, the TSX crashed in March 2020. While many stocks are still significantly lower, as highlighted by the **S&P/TSX Composite** losing 11% for the year to date, some have defied the poor outlook and rallied higher. One such stock is clean energy utility **Innergex Renewable Energy** ([TSX:INE](#)), which has gained 13%.



There is every indication that the company will deliver further value over the remainder of 2020.

Quality renewable energy assets

Innergex owns a portfolio of renewable energy assets located in Canada, the U.S., France, and Chile with 3,556 megawatts (MW) of installed capacity. The renewable electricity utility generates 57.5% of its electricity from wind assets, 30.8% from hydro, and 11.7% from solar.

In 2018, Innergex embarked on a strategic turnaround aimed at strengthening its core operations and unlocking value from its assets. The company's first-quarter 2020 results illustrate the successful execution of the plan while underscoring its ability deliver considerable value for investors.

For the first quarter, electricity production surged, growing by 28% year over year to almost 1,680 gigawatt hours (GWH). As a result, consolidated revenues grew 5% year over year to \$132 million.

Nonetheless, EBITDA softened by 3% because of a significant 37% and 21% increase in operating and general expenses, respectively. That, along with an unfavourable change in the fair value of financial instruments, higher finance costs, and increased depreciation and amortization costs, was responsible for a \$47 million first-quarter net loss.

Despite the impact of the coronavirus pandemic on its operations, Innergex reported significant free cash flow of \$91 million for the first quarter. While that is 23% lower than a year earlier, it indicates that Innergex is a free cash flow-generating machine.

Solid fundamentals

As part of its strategic turnaround, Innergex is strengthening its balance sheet. By the end of the first quarter, long-term debt was \$3.7 billion, representing a healthy 10% decrease compared to the \$4.3 billion at the end of 2019. That debt is a manageable five times adjusted EBITDA, which is a low ratio for an electric utility.

Innergex also finished the period with \$271 million of cash and further \$37 million in restricted cash. This gives Innergex sufficient financial flexibility to continue developing its portfolio while meeting its financial obligations. It will also allow the renewable energy utility to manage the financial impacts of the coronavirus pandemic.

Growing renewable asset base

Innergex is steadily expanding its portfolio. The renewable energy utility is constructing a U.S. solar facility and a hydro project in Canada. Innergex is working on four development stage projects spread across the U.S., France, and Chile. These projects on completion will lift Innergex's capacity and the volume of electricity produced.

Innergex recently acquired a 68 MW solar farm, and its related power-purchase agreements, in Chile for a combined total of around \$93 million.

The addition of those assets to Innergex's portfolio will boost earnings. They will also further diversify

the renewable energy company's operations, reducing its dependence on a single jurisdiction or facility. That will lower the risk associated with Innergex's business and the impact of operational outages on its earnings.

Foolish takeaway

Innergex is a growing renewable electricity utility, which is well positioned to [deliver considerable](#) value. The combination of rising electricity production, stronger balance sheet, significant free cash flow generation and growing portfolio of renewable energy assets means earnings will expand at a steady clip. The [secular trend](#) to cleaner renewable sources of energy to battle climate change will act as a powerful tailwind for it and other renewable energy stocks.

For these reasons, Innergex's share price will soar during 2020, despite the fallout from the coronavirus pandemic. While waiting for that to occur, you will be rewarded by Innergex's sustainable quarterly dividend yielding 3.8%.

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