



ALERT: 1 Canadian Stock to Own in 2021

Description

Polaris Infrastructure ([TSX:PIF](#)) is a Toronto-based company engaged in the operation, acquisition, and development of [renewable energy projects](#) in Latin America. In Nicaragua, the company operates a 72 megawatt (MW) geothermal facility, and in Peru, the company operates three hydroelectric facilities with a total operating capacity of approximately 32 MW.

The company has 128 employees, a price-to-earnings ratio of 18.49, price-to-book ratio of 1.71, dividend yield of 3.37%, and market capitalization of \$354 million. Debt is rarely used at Polaris Infrastructure, as evidenced by a debt-to-equity ratio of just 0.94. The company has excellent performance metrics with an operating margin of 45.63% and a return on equity of 10.03%.

The company is focused on the development, production, and sale of electricity from [geothermal and hydroelectric energy](#). As operations require, the company retains geoscientists, engineers, and other consultants on an independent contract basis. Polaris Infrastructure is currently operating a geothermal electrical energy production facility located in northwest Nicaragua.

Geothermal energy is a clean, renewable energy source that, because it does not utilize combustion in the production of electricity, releases significantly lower levels of emissions than result from energy generation from burning of fossil fuels. The company's operating geothermal power plant is the San Jacinto facility.

The company has the right and obligation to sell all energy produced, up to the 72 MW capacity of the Phase I and II turbines of the San Jacinto facility, under the San Jacinto purchase-power agreement (PPA). In 2020, the average price under the San Jacinto PPA was broadly in line with the average Nicaraguan wholesale market price.

The San Jacinto facility was developed in two phases. Both phases of the San Jacinto facility are concentrated in the eastern sector of the San Jacinto facility concession. Each phase has a capacity of 36 MW, allowing aggregate generation of 72 MW, consistent with the San Jacinto PPA.

There is a requirement in the San Jacinto PPA that the amount of electricity generated by the San Jacinto facility be above a minimum prescribed amount. Currently, the minimum prescribed amount of

the 72 MW capacity of the San Jacinto facility, is 70%. This results in net average power delivered annually of approximately 45 MW.

Substantially all revenues expected to be realized from the operation of the San Jacinto facility comes from the sale of energy and capacity under the San Jacinto PPA. Under this PPA, the owner is required to purchase all of the electricity and capacity, up to 72 MW from the San Jacinto facility through January 30, 2029. The government of Nicaragua holds a 16% ownership interest in the owner.

The company's operating hydro facilities include the Canchayllo facility, El Carmen facility, and de Agosto facility. Substantially all revenues expected to be realized from the operation of these facilities comes from the sale of energy and capacity under each respective PPA.

Management believes that shareholders will benefit in the long term from the diversification of both country of origin as well as the type of renewable energy production facility that drive operating earnings and cash flow. This diversification should benefit shareholders.

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