



## Here's the Next TSX Stock I'm Going to Buy

### Description

Canadian investors need to identify stocks that will consistently outpace the broader markets over the long term. So, you need to invest in companies that will keep growing their revenue and earnings, driving share prices higher.

One such sector with an expanding addressable market is the renewable energy segment. A report from Spherical Insights forecasts the global renewable energy market to touch US\$1.93 trillion by 2030, indicating an annual growth rate of 8.5% from 2021.

Typically, clean energy companies are involved in the production and sale of low-emission sources of energy such as hydro, nuclear, geothermal, hydrogen, wind, and biofuel.

There are several [renewable energy companies](#) trading on the TSX that are top bets right now. One of the largest players in the Canadian clean energy market is **Innergex Renewable Energy** ([TSX:INE](#)). Let's see why INE is the next [TSX stock](#) I'm going to buy in 2023.

### Why is Innergex a top TSX stock?

Innergex has built a diversified portfolio of quality and long-lasting assets within hydro, wind, and solar energy verticals, allowing the company to reduce risks and deliver predictable cash flows.

It ended the third quarter (Q3) with 84 operating facilities with 13 other projects under development. With a gross installed capacity of 4,184 megawatts, Innergex generates enough energy to power over a million households.

A majority of the company's power-generating facilities are located in Canada and the United States. However, Innergex also has a small presence in France and Chile.

Due to its widening base of cash-generating assets, Innergex increased revenue by 22% year over year to \$747 million in 2021. Analysts now expect sales to surpass \$1 billion in 2023. This expansion in the top line will allow Innergex to report adjusted profits of \$0.38 per share in 2023 compared to a loss

of \$0.04 per share in 2021.

One of the most important reasons for my optimism about INE stock is that its cash flows are backed by long-term agreements. For example, the company's weighted average life of its power-purchase agreements is 13.5 years, which is among the longest contract durations in the renewable sector.

## A TSX stock with a tasty dividend yield

Innergex Renewable energy is armed with a strong balance sheet. It ended Q3 with a cash balance of \$220 million and generated \$215 in levered free cash flow in the last 12 months. Innergex also pays investors a quarterly dividend of \$0.18 per share, translating to a forward yield of 4.3%.

A well-capitalized balance sheet has allowed the company to grow via acquisitions this year. In January, Innergex acquired a solar farm in Chile, which is expected to produce a long-term average of 118.9-gigawatt hours per year.

It completed the previously announced acquisition of Aela for \$408 million, providing the company access to a 332-megawatt portfolio of wind assets in Chile. These assets are contracted under two long-term power-purchase agreements and have an average remaining tenor of 16 years.

Innergex has a strong pipeline for long-term growth and increased its sales by a stellar 40% year over year to \$258.4 million in Q3 of 2022. Its adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) surged by 48% to \$181.2 million, indicating a margin of over 70%.

Innergex has solid financials, an enviable growth profile, and expanding profit margins. Bay Street remains bullish on the TSX stock and expects shares to gain over 20% in the next year.

### CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:INE (Innergex Renewable Energy)

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