



1 Renewable Energy Stock to Buy Today

Description

Renewable energy stocks are performing strongly, despite the coronavirus pandemic, choppy financial markets, and significantly cheaper fossil fuels. Global renewable electricity capacity expanded by 7.6% in 2019 and almost 75% of all new capacity added was renewable. The push to expand renewable electricity generation is gaining momentum, as the world battles global warming and climate change. The International Renewable Energy Agency stated in January that spending on renewable electricity will need to double by 2030 if catastrophic climate change is to be prevented. This is a powerful secular tailwind for renewable energy companies.

One that stands out is **Innergex Renewable Energy** ([TSX:INE](#)). It defied the March 2020 stock market crash and the coronavirus pandemic, which caused many stocks to fall sharply, to be up 14% for the year to date.



That sees it beating the broader TSX with the **S&P/TSX Composite** losing 10%. There are clear signs that Innergex is poised to [deliver further gains](#), regardless of choppy markets and economic uncertainty.

Innergex successfully executed a strategic turnaround

The renewable electricity utility is unlocking considerable value for shareholders after successfully executing a turnaround strategy commenced in 2018. This saw Innergex report progressively stronger earnings and strengthen its balance sheet.

All-important first-quarter 2020 electricity production shot up by a healthy 28% compared to a year earlier. That can be attributed to the commissioning of the Phoebe solar farm and Foard City Wind Farm, both located in Texas.

On a disappointing note, adjusted EBITDA for the period dropped by 3% year over year, because of lower revenue from Innergex's Quebec-based hydro and wind facilities.

Innergex has successfully strengthened its balance sheet, boosting its financial flexibility and making it a more appealing investment. The renewable electricity utility's long-term debt fell by 9% compared to the equivalent period a year earlier to be \$4.3 billion. Innergex finished the period with \$271 million of cash, bolstering its ability to fund the development of existing projects and make acquisitions.

During 2020 Hydro-Quebec became Innergex's largest single shareholder, acquiring a 19.9% interest in the renewable energy utility. That was completed through the successful execution of a \$661 million private equity placement. Hydro-Quebec also entered a strategic alliance with Innergex where it has committed to co-invest \$500 million with the renewable energy utility.

This adds a further degree of certainty to Innergex's operations because Hydro-Quebec is government owned and one of Canada's largest power utilities.

Expanding renewable power portfolio

Innergex is positioning itself for further growth. It has a development pipeline comprised of nine projects. Two of those projects will be commissioned in 2020, adding 207.5 megawatts to Innergex's total installed capacity. Another four assets under development are forecast to be completed and enter service by the end of 2020, adding a further 161 megawatts to the utility's installed capacity.

The additional electricity produced will boost Innergex's earnings over the coming three years.

Innergex also acquired a 68-megawatt wind farm in Chile in mid-May 2020 for \$93 million, which included an 11-year power-purchase agreement. That will further boost the company's electricity output and earnings.

The [global secular trend](#) to cleaner renewable sources of energy will act as a long-term earnings tailwind.

Like all electric utilities, Innergex possesses a wide economic moat, which shields it from competition and protects its earnings. The certainty of Innergex's earnings is enhanced by its existing power-purchase agreements, which have a weighted average term of just over 15 years.

Foolish takeaway

Innergex is a top renewable energy stock. It will unlock considerable value over the foreseeable future. A combination of the growing demand for renewable electricity and commissioning of new assets will significantly boost earnings. That will give Innergex's share price a solid lift. While waiting for that to occur, you will be rewarded by Innergex's sustainable dividend yielding a juicy 3.9%.

CATEGORY

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