

In the Spotlight - Innergex Renewable Energy (TSX: INE)

By William Mitchell CIM®, Portfolio Manager - The Palos-Mitchell Alpha Fund

August 17, 2020

*For more information on investing in The Palos-Mitchell Alpha fund, please contact wmitchell@palos.ca
Visit us at: palos.ca, and follow us on: [LinkedIn](#)*

Innergex Renewable Energy Inc. is a Canadian independent energy producer that acquires, develops, and operates a stable of hydroelectric, solar, and wind power facilities. Established in 1990, the company has a 100% renewable portfolio that presently includes an interest in 75 facilities located in Canada, Chile, France, and the United States. Eight projects are under development.

In February, INE announced a strategic partnership with Hydro-Quebec (HQ) whereby HQ acquired a 19.9% equity stake in Innergex, for CAN\$661 million. Proceeds are to be used for growing INE's asset portfolio and since the announcement, the company has closed on two acquisitions. On May 14, INE acquired a 68-megawatt Chilean solar farm for CAN\$65.6 million. The acquisition included an 11-year Power Purchase Agreement (PPA) for the electricity produced at the facility. In July, Innergex acquired a portfolio of power producing wind farms in Idaho from Terna Energy SA, for CAN\$77.3 million. The Mountain Air wind farm will be immediately accretive. As the combined cost of these acquisitions falls below the amount received from the HQ investment, the remaining cash can be used to pursue other opportunities. The company also has access to a CAN\$600 million revolving credit facility that is backed by 12 unencumbered assets.

ESG investing (Environmental, Social, and Governance) is a relatively recent phenomenon and a driving force behind a growing investor demand for progressive corporate governance and environmental accountability. Issues related to diversity, pay equality, worker safety, community involvement, sustainability, and transparency are becoming increasingly important criteria amongst socially conscious investors. Institutional entities that includes government and private pension plans, sovereign wealth funds and university endowments are exercising ever increasing scrutiny when evaluating investment options. Innergex, with its 100% focus on renewable energy and a commitment to ESG principles, scores well on ESG assessments, which are becoming a prerequisite for consideration in many institutional portfolios.

Current polls suggest that Joe Biden is likely to win the presidency this November. Biden's platform, contrary to that of the incumbent, includes a clear path for the U.S. to rejoin global climate efforts. Called the "Green New Deal", Biden's ambitious plan will strive to eliminate carbon emissions by 2050. Should Biden win, it's speculated that green initiatives could create a USD\$ 9 trillion investment in renewable energy and the creation of 10 million well-paying jobs. With a presence in the U.S. and a 100% exposure to the renewable energy sector, Innergex is in a strong position to be a dominant player in a burgeoning renewable energy sector. We have a positive outlook for the renewables sector and The Palos-Mitchell Alpha Fund holds a 2.4% weighting in shares of Innergex. The company has a market capitalization of CAN\$ 3.9 billion and a history of growing their dividends, currently a 3.2% yield.

Disclaimer: *The opinions contained herein are for informational purposes and are solely those of William Mitchell, portfolio manager of the Palos-Mitchell Alpha Fund. The fund is a mutual fund trust established on January 29th, 2019. The fund is managed by Palos Management Inc. Viewpoints expressed herein should not be interpreted as financial advice or an investment recommendation. The fund may hold securities in the company mentioned. The manager holds no obligation to disclose security additions or deletions. While information sources are believed to be reliable, errors or omissions may occur.*