

# Get a Stable, Growing Income From Brookfield Renewable Energy Partners LP

## Description

People are becoming more and more conscious of the environment nowadays. So, investors may be delighted to know that they can invest in a pure-play renewable power business. In fact, this company uses mostly hydro and wind energy to generate power. The company is **Brookfield Renewable Energy Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)).

## The business

Twenty years ago, Brookfield Renewable had already started investing in hydro energy. Today hydroelectric generation has become the highest-valued renewable asset class, placing Brookfield Renewable in a favourable position since it generates 80% of its power using hydroelectric facilities.

Over the years Brookfield Renewable has accumulated 250 power-generating facilities across 14 markets in six countries. In total, that's \$20 billion worth of power assets with the capacity to generate 7,300 megawatts of power.

Its assets are diversified geographically, with 50% of power generation coming from the U.S., 25% from Canada, 20% from Brazil, and 5% from Europe.

## Returns and distributions

At the same time that Brookfield Renewable is building an impressive green energy empire, its returns to unitholders have been nothing short of amazing. On a dividend reinvestment basis, its total returns beat the **S&P/TSX Composite**, and **S&P 500** in various periods.

[BEP returns](#) image not found or type unknown

*Source: Brookfield Renewable May 2015 Investor Presentation*

Currently, the company pays out US\$0.415 per quarter. Using a foreign exchange rate of US\$1 to CAD\$1.19, that equates to a little over 5.2% yield. Its payout ratio of over 65% allows room for the business and the distribution to grow. In fact, the company plans to grow the distribution by 5-9% in the foreseeable future.

Its distributions are supported by stable contracted cash flows. In 2015 92% is contracted. Although that percentage is expected to reduce to 81% by 2019, it still remains a high percentage. As a result, its cash flows are highly predictable, creating a stable distribution.

## In conclusion

The company aims to maintain an investment-grade balance sheet, while growing its business. That should translate to growing funds from operations and growing distributions. The only thing I don't like about this company is its S&P credit rating of BBB. If it were BBB+, it would be more reassuring.

Still, management has done an excellent job in investing in assets and returning value to unitholders via distributions.

Interested investors should check Brookfield Infrastructure's website to learn how its distributions are handled tax-wise. Remember, these aren't your usual dividends.

Also, if and when the U.S. dollar weakens, investors may experience an income cut, although the distribution growth should offset some or all of it.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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