



Brookfield Renewable Energy Partners LP Looks Attractive

Description

Brookfield Renewable Energy Partners LP ([TSX:BEP.UN](#))([NYSE:BEP](#)) is a renewable energy business that generates 80% of its power via hydroelectric stations and 18% of its power via wind-power facilities.

After falling close to 18% from its 52-week high of \$42, Brookfield Renewable looks attractive at about \$34.50 per unit and a 6.3% yield.

Assets

The utility owns and manages 207 hydroelectric facilities, 37 wind facilities, three biomass facilities, and two natural gas-fired plants. These assets have the capacity to generate over 7,200 megawatts (MW) of power and annual generation of over 25,700 gigawatt hours (GWh) based on long-term averages.

Strong cash flows for solid income

The business strives to maintain stable and high-quality cash flows from a diversified portfolio of low operating costs and long-life assets that sell electricity under long-term contracts. About 90% of its cash flows are contracted with a 17-year average contract term. Stable cash flows lead to stable income for unitholders.

Expected distribution growth and total return

Over the next five years Brookfield Renewable plans to invest US\$500-600 million each year and targets to deliver long-term total returns of 12-15%. Cash distributions that are paid out in U.S. dollars are expected to grow 5-9% on average each year.

Brookfield Renewable has paid a growing distribution since 2011. In four years the distribution grew 23%, or 5.3% on average per year. Thanks to the strong U.S. dollar, the units provide an above-average income of 6.3%. Even at parity, it'd still yield 4.8%. The business targets a payout ratio of 60-70%, which keeps the distribution safe.

Strong financial profile

Brookfield Renewable has an S&P credit rating of BBB. The company has roughly US\$19 billion of assets and a debt-to-cap ratio of 43%. Roughly 75% of its borrowings are non-recourse. Its borrowings have weighted average terms of at least seven years. Further, the business has available liquidity of US\$1 billion.

Recent developments

In the quarter that ended on September 30, 2015, Brookfield Renewable agreed to acquire two operating hydroelectric stations in the northeastern United States for US\$860 million. The stations have an installed capacity of 292 MW.

The transaction is anticipated to close in the first quarter of 2016, and Brookfield Renewable expects to maintain a roughly 40% interest in the portfolio.

Further, Brookfield Renewable completed refinancing that provided US\$135 million of proceeds. The proceeds are considered low-cost capital that can be deployed for growth opportunities.

Additionally, the company is constructing hydroelectric, biomass, and wind projects, totaling to 141 MW. The hydroelectric and biomass projects are in Brazil, and the wind project is in Northern Ireland.

In conclusion

Brookfield Renewable Energy can serve as an incremental part of any dividend portfolio. With its stable cash flows, the utility forecasts to grow distributions 5-9% a year. Investors get to start off with an above-average yield of 6.3%. Today's price of under \$35 is a good entry point. Lower prices would be an opportunity to buy more shares by dollar-cost averaging.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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Author

kayng

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