



Do You Love Growing Income? Buy This Utility

Description

There's a growing need for renewable energy around the world, and **Brookfield Renewable Energy Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)) is there to capitalize on that. In fact, the utility already has about 10,400 megawatts of installed capacity across seven countries.

Because the renewable space is a highly regulated environment, build and replacement costs are high, physical and environmental constraints exist, significant operating expertise is required, and there are high barriers to entry that limit Brookfield Renewable's competition.

The business

Brookfield Renewable has more than a century's experience in the power sector, and it started to invest in hydro more than two decades ago. Through its steady expansion, it now owns, operates, and develops renewable power generation facilities across the Americas and Europe with \$24 billion of assets under management.

About 82% of its power generation is from hydro, which is the highest-quality renewable asset class with a compelling total-return profile. And its wind power assets contribute 16% of generation. Wind energy is one of the fastest-growing and lowest-cost renewable energy sources, so it complements its hydro assets well.

Brookfield Renewable generates 70% of cash flows from North America, 20% from Brazil, and 5% each from Europe and Colombia, respectively.

Dividends

About 90% of Brookfield Renewable's cash flows come from contracted revenue streams with 17-year weighted average terms. So, the utility's cash flows should remain stable across different economic cycles.

Brookfield Renewable has grown its distribution for six consecutive years. It last hiked it in February by 7.2%. And it targets to increase it by 5-9% on average per year.

Brookfield Renewable pays a U.S.-denominated distribution. Its quarterly distribution is US44.5 cents. With a foreign exchange of US\$1 to CAD\$1.20, investors can enjoy a stronger U.S. dollar. The utility yields 5.8%.

Growth

Brookfield Renewable plans to achieve its distribution growth target via organic cash flow growth and project developments.

Brookfield Renewable's cash flows are 90% inflation-linked escalations. It also has a pipeline of hydro and wind projects with 1,000 megawatts of capacity planned to be built over the next five years.

Additionally, in the past decade it acquired roughly 6,500 megawatts of hydro and wind power-generating capacity, and it certainly will consider more mergers and acquisitions to help contribute to growth.

Conclusion

Income and total-return investors alike should consider Brookfield Renewable as a strong investment candidate. Since 2011, it has delivered an 18% annualized total return and 6.5% annualized dividend growth.

At \$37 per share, the company is trading at a reasonable valuation and pays an above-average yield of 5.8%. However, any dips to \$35 per share or less would be an even better buying opportunity.

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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