



## Is This 5.8% Yield Utility on Your Radar?

### Description

**Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)) is the largest pure-play renewable power platform that's publicly available. What investors like about Brookfield Renewable is its generous yield and the growing need for renewable power.

There are different types of renewable energy, but, by far, hydro power takes the lead in producing about 70% of the world's renewable energy.

Why is that?

Hydro assets have a long, useful life and become more valuable over time as suitable locations to build these irreplaceable assets are scarce.

Additionally, they can store power and release it when demand spikes, and they can also stabilize power fluctuations on the grid. Further, hydro assets require little maintenance costs.

### The business

Brookfield Renewable has been investing in hydro for more than 20 years. The utility has a predominantly hydro portfolio of \$25 billion of assets across 260 power-generating facilities.

Brookfield Renewable has 10,700 megawatts of capacity across 15 markets in seven countries. Its portfolio consists of 88% hydroelectric generation, which is diversified across 82 river systems and is complemented by 11% of wind power generation.

Geographically, 65% of Brookfield Renewable's generation is in North America, 15% is in Brazil, 15% is in Colombia, and 5% is in Europe.

### Stable, growing distribution

Brookfield Renewable should be on the radar of income investors because it offers an above-average yield of 5.8%. The utility generates about 90% of long-term contracted cash flows that grow with

inflation. These predictable cash flows support a stable distribution. That's why the company has been able to increase its distribution since 2011 and is confident it can continue growing its distribution by 5-9% on average per year.

Investors should note that Brookfield Renewable pays a U.S. dollar-denominated distribution that fluctuates with the foreign exchange rate. So, Canadian unitholders benefit more if they opt to receive the cash distribution in the loonie when the U.S. dollar is strong against the loonie.

## Conclusion

Brookfield Renewable's irreplaceable hydro assets will become more valuable over time, and so will its units. In the meantime, its assets generate stable cash flows that support a growing distribution for unitholders.

Organic growth and acquisitions should allow the utility to continue growing its distribution, such that the company can increase it by 5-9% on average per year.

If the company achieves the midpoint growth of 7.5%, investors can expect a total return of more than 12% based on 7.5% growth in addition to the cash distribution yield of more than 5%.

Unfortunately, the units are fully valued today, as it trades at a price-to-cash flow ratio of about 16.7. If the units dip to the \$37 level it would be a decent place to start averaging in for a yield of 6% and a higher expected total return.

## 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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