



Don't Miss This Utility and its Attractive 6% Yield

Description

Utilities are widely recognized as defensive stocks because the inelastic demand associated with the services they provide helps to shield them from economic downturns. This in turn endows them with steady cash flows and relatively low volatility compared to other stocks, allowing them to reward investors with regular dividend payments.

Nevertheless, this comes at a cost; the majority of utilities lack the considerable upside that more growth-oriented stocks can offer investors.

There is one electric utility, **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)), which offers investors both defensive and growth characteristics along with one of the juiciest dividend yields in the sector. These attributes make it a must-have addition to any investors' portfolio, especially because its shares have dipped by almost 3% over the last month.

Now what?

Brookfield Renewable is a renewable energy, electric utility that holds a geographically diversified portfolio of hard renewable energy assets in a variety of jurisdictions focused on North and South America. These assets have installed capacity of over 10,000 megawatts—the majority of which is obtained from hydro-electricity generation.

This makes Brookfield Renewable one of the largest pure-play, publicly traded renewable energy platforms available to investors.

The power-generating industry's wide moat along with the unchanging demand for electricity protects it from competition and virtually assures its earnings. This means that like the majority of electric utilities, its cash flows are quite stable; approximately 90% of its electricity output is contracted through power-purchase agreements.

This certainty has allowed Brookfield Renewable to reward investors with a regularly growing distribution, which it has hiked for six years straight to now yield a very healthy 6%.

The good news doesn't stop with these solid defensive characteristics, which make it an ideal stock to hold during times of market volatility and uncertainty.

In stark contrast to many mainstream utilities, Brookfield Renewable possesses a solid growth profile. Unlike traditional electric utilities, such as **TransAlta Corporation** and **Capital Power Corp.**, it stands to benefit significantly from the worldwide secular trend to clean renewable energy.

This trend is gaining in momentum, making it a powerful tailwind for renewable energy companies.

Furthermore, contrary to many other renewable energy companies Brookfield's business is established and relatively mature. When coupled with a solid balance sheet and high level of liquidity, including US\$1.2 billion of cash on hand at the end of the second quarter 2016, Brookfield Renewable has been able to actively pursue a growth-through-acquisition strategy.

This has allowed it to already complete a number of acquisitions in the first half of this year. These include buying a controlling share of hydroelectric company **Isagen S.A.**, Colombia's third-largest power generator, from the Colombian government. There was also the acquisition of two hydro plants in Pennsylvania with a combined capacity of 296 megawatts.

Even after these deals, Brookfield Renewable is bolstering its growth with the acquisition of the outstanding shares of Isagen, the construction of 127 megawatts of hydro and biomass projects in Brazil, and a 29 megawatt wind development in Northern Ireland.

The positive effects of this strategy are seen in its second-quarter results.

Brookfield Renewable's share of total electricity output for the second quarter grew by 8% year over year, boosting its earnings before income, tax, depreciation, and amortization by a healthy 11%. This trend can only continue as the projects under construction come online and governments globally establish even more aggressive renewable energy targets.

So what?

It is difficult to find a business like Brookfield Renewable that has solid financial backing combined with a high degree of maturity and operates in a market with considerable untapped potential. This will act as a powerful long-term tailwind for the business as the revolution in clean energy gains ground and demand for clean electricity grows exponentially.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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