



Brookfield Renewable Partners LP: Save the World and Your Wallet

Description

There is consensus in the scientific community that human-caused global warming is a problem, and if we don't get our carbon pollution under control, it could have serious consequences on our planet. As investors, we have to balance the need to improve our returns with the need to do good for the world. When investing in **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#)) ([NYSE:BEP](#)), you don't have to sacrifice either.

Unlike many other companies that dabble in renewables, Brookfield is one of the largest pure-play renewable companies. If renewable energy is what you care about, it doesn't get much better than Brookfield Renewable. It has 217 hydroelectric facilities, 37 wind plants, three cogeneration plants, and three biomass locations. These 260 facilities generate 10,700 MW of electricity in Europe, North America, and South America.

And it's not slowing down. In the first half of 2017, it has two projects under construction in Brazil and one in Northern Ireland, which will provide 68 MW of electricity. All told, there are 160 MW under construction, which will be done by the end of 2018. And its development pipeline, just waiting to start construction are upwards of 7,000 MW. That will seriously have a positive impact on the business.

During the second quarter, Brookfield Renewable, alongside its institutional partners, increased its interest in **Isagen S.A.** to 84%, which is the largest hydroelectric company in Colombia and is owned by the government. It is working to buy the rest of the company. When that happens, it will own 25% of the profit, which generates 3,032 MW of electricity.

From a growth perspective, things are great. But how is the business doing?

The second quarter was actually weaker than anticipated. There was a \$19 million loss in the second quarter compared to a \$35 million profit in 2015. The primary reason for this loss was because the company generated far less electricity than it had anticipated. In the press release, Brookfield Renewable wrote, "Generation for the three months ended June 30, 2016 totaled 8,792 GWh, below the long-term average of 10,951 GWh."

Also, \$17 million of the \$19 million loss can also be explained by the appreciation of the U.S. dollar,

which ate into its profits.

Fortunately, this is unlikely to be a trend, and the company should be able to start generating profit again. And that's important because what makes Brookfield Renewable such a lucrative investment is its dividend. The company pays a 5.71% yield, which is US\$0.445 per share. Based on its cash flow, its payout ratio is 80.9%. So long as it stays here, the dividend is secure.

But management doesn't want the dividend to be stagnant. Since it went public in 2011, it has increased the dividend by a compound annual growth rate of 6.5% every year. And, going forward, management wants to see the dividend increase by an additional 5-9% every year.

Can it achieve that?

It's quite possible. With the 7,000 MW development pipeline, plus its smart acquisitions around the world, I see no reason why it can't continue to push its cash flows higher. And so long as the world continues to push toward generating more electricity from clean and renewable sources, this investment will help your wallet as well as the planet you live on. I say it's a great time to buy.

CATEGORY

1. Energy 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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