



A Quality Renewable Power Portfolio With a +6% Yield

Description

Brookfield Renewable Partners LP ([TSX:BEP.UN](#))([NYSE:BEP](#)) owns and operates a diversified portfolio of renewable power assets along with its institutional partners.

One of the benefits of investing alongside its institutional partners is that the utility can participate in lucrative investments that are otherwise inaccessible to smaller investors.

For example, one of the most recent deals was the acquisition of Isagen, which is the third-largest energy generator in Colombia. Brookfield Renewable has about 24% interest, while its institutional partners have about 75.6% interest for a combined 99.6% interest.

The business

Brookfield Renewable has grown its global portfolio of renewable assets to an installed capacity of 10,700 megawatts. It has 88% in hydroelectric generation and is diversified across 82 river systems.

It has power assets in 15 power markets across seven countries in North America, Latin America, and Europe.

The 4% dip

Brookfield Renewable dipped 4% on Thursday after releasing its third-quarter results in the morning.

The utility's funds from operations (FFO) per unit were US\$0.05 lower year over year, which equated to a decline of 17.2%.

For the first nine months of the year, its FFO per unit were US\$0.09 lower year over year, which equated to a decline of 6.6%.

However, the normalized FFO per unit was the same in the first three quarters of this year as it was last year.

So, the bad quarter could have been attributable to a mix of bad weather and volatility in foreign

currency against the U.S. dollar.

hydroelectricity facility

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Progress

More importantly, investors should focus on the long-term fundamentals of the company and the progress it has made.

The CEO, Sachin Shah, remained positive about the long-term prospects of Brookfield Renewable, stating in the quarterly release, “In 2016, we and our institutional partners have acquired more than 3,000 megawatts of best-in-class hydroelectric assets using a contrarian, value-based approach ... We continue to identify significant long-term growth opportunities in new markets and technologies complementing our existing assets and operating expertise.”

In fact, the company continues to target 12-15% annualized returns over time. Moreover, growing cash flows are expected to support a growing distribution.

Safe income and total returns

Brookfield Renewable has 90% of contracted revenue with a 16-year average contract term. Additionally, it generates more than 90% of its cash flows from its hydro assets, which provide cash margins of 60-70% despite low energy prices. So, its cash flows are pretty rock solid.

Since 2011 Brookfield Renewable has hiked its distribution per share by an average of 6.5% per year. Its growing distribution is partly supported by its contracted cash flows, which are linked to inflation. And the company aims to hike its distribution per share by 5-9% per year in the foreseeable future.

The utility's annualized returns (with distributions reinvested) on the Toronto Stock Exchange have not disappointed. They have outperformed the market in the three-, five-, and 17-year periods that ended on August 31, 2016.

The company's above-average yield of 6.2% remains attractive in today's market.

Conclusion

Because of the 4% dip on Thursday, this pure play in renewable energy became an even better income opportunity. At below \$39 per unit, Brookfield Renewable yields nearly 6.2%.

This is a safe, long-term-oriented utility you can buy at an opportune yield and hold for a growing income for many years to come.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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Date

2025/08/17

Date Created

2016/11/04

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