



Brookfield Renewable Partners L.P. Is a Long-Term Income Stock

Description

There's something to be said for investing in a company that not only provides lucrative income for a portfolio, but also generates its revenue from energy sources that have a low impact on the environment. And that's exactly what **Brookfield Renewable Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)) does with its large energy-producing assets.

The company is a pure-play renewable business broken into two core holdings: hydroelectric and wind. In total, it has 10,700 MW of capacity spread across 260 facilities; 88% of its portfolio is in hydroelectric and another 11% is in wind with other small investments.

What might surprise you is that there is no solar power in its portfolio, and there's a good reason for that. Brookfield Renewable, like its sister and parent companies, is a value investor. It buys distressed assets and then generates lucrative cash flows from them. The CEO of Brookfield Renewable explained in an investor call that there just hadn't been an opportunity for it to get into the solar business in a smart way.

That appears to be changing, though.

Brookfield Renewable is looking to acquire **TerraForm Power Inc.** (NASDAQ:TERP) in a deal valued at approximately US\$1.8 billion. This would add an additional 3,000 MW of wind and solar power to Brookfield's holdings — a big boost, if you ask me. The team has until February 21 to finalize the terms of the deal, so it should be an interesting week.

But here's one reason why the deal really makes sense: TerraForm outsourced 100% of the operations and maintenance of its portfolio, which ate into margins and made debt repayment that much harder. Sachin Shah, CEO of Brookfield Renewable, sees this as a huge opportunity. At an investor day, he said, "We can run the assets, we can do the O&M in-house, we can reduce the cost structure of this business, and we can ultimately reposition it for growth in the future."

Sounds like a solid plan to me.

That acquisition is obviously very lucrative, but it's not the only one. Brookfield is currently working on

finalizing the complete takeover of **Isagen S.A.**, one of Colombia's largest hydroelectric companies. So far, Brookfield and its institutional partners have acquired 84% of the company. The team is now pushing to acquire the rest. When it's all done, Brookfield will own 25% of a 3,032 MW electricity generator, which should have a huge impact on earnings.

Brookfield is also pushing through organic growth. There are currently 160 MW in construction. All told, the company looks to develop an additional 300 MW, and I don't see that going away since it has a development pipeline of 7,000 MW.

As can be seen, Brookfield is in a great position to grow organically and through smart acquisitions made with its institutional partners. And this leads us to the main reason why investors love Brookfield Renewable: the dividend.

The company currently yields 6.34%, which is good for \$0.61 per quarter. Earlier this month, management increased the yield by 5%, which is the eighth consecutive year that this has happened, so for those looking for income growth, this stock is definitely appealing. In the short term, the dividend looks a little stretched, but that could just be due to increased operating costs while it integrates its acquisitions. It's worth paying attention to this stock in the coming quarters to see if that dividend becomes more reasonable.

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Date

2025/08/24

Date Created

2017/02/14

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