

## This High-Yield Stock Could Deliver Powerful Future Dividend Growth

### Description

**Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)) pays its investors pretty well. After boosting its payout 5% to start the year, the renewable energy giant currently yields an eye-popping 6.2%. However, that payout should continue to grow higher over the next few years, especially given the recent moves by the company and its parent **Brookfield Asset Management Inc.** ([TSX:BAM.A](#))([NYSE:BAM](#)) to expand their renewable reach.

### Taking control

Last week, Brookfield Renewable announced that along with its institutional investors, it had agreed to acquire 100% of wind and solar operator **TerraForm Global Inc.** ([NASDAQ:GLBL](#)). The Brookfield consortium will pay roughly US\$1.3 billion, consisting of US\$787 million in cash and the assumption of US\$455 million of debt to acquire Terraform Global. In doing so, it will pick up 31 wind and solar power plants with 952 MW of capacity spread across Brazil, India, China, South Africa, Thailand, Malaysia, and Uruguay.

In addition, Brookfield Renewable will participate in the acquisition of a 51% stake in **TerraForm Power Inc.** ([NASDAQ:TERP](#)), which would remain a listed company sponsored by its parent Brookfield Asset Management. That deal values TerraForm at US\$1.7 billion, or US\$6.6 billion when including debt. The company currently controls a 3,000 MW portfolio of wind and solar assets concentrated in the U.S., though it owns assets in Canada, the U.K., and Chile.

Going forward, TerraForm will serve as Brookfield Renewable's primary wind and solar operating company in North America and western Europe. Further, Brookfield plans to provide TerraForm with the right of first refusal for a pipeline of roughly 3,500 MW operating wind assets and developmental projects.

Overall, Brookfield Renewable expects to invest about US\$500 million into these deals. Meanwhile, Brookfield Asset Management will provide TerraForm Power with a US\$500 million acquisition facility, so it can make acquisitions, which will likely include drop-down transactions with Brookfield Renewable. As such, Brookfield Renewable will have additional capital to expand its hydropower portfolio as well as build off the TerraForm Global platform.

### Lending a helping hand in Brazil

That transaction, however, is not the only renewable power deal Brookfield Renewable has in its pipeline. According to a report by **Reuters** earlier this month, the company is nearing a deal to buy a 30% stake in Brazil's Renova Energia. Under the terms of that agreement, Brookfield Renewable would buy Light Energia's 15.7% stake in the renewable company and then pump more equity into the entity, investing a total of US\$258 million.

In acquiring a minority stake, Brookfield Renewable will gain access to Renova Energia's growing

renewable portfolio, which includes nearly 1,000 MW of wind, solar, and small hydro-generating capacity and an 11.66% stake in TerraForm Global.

Renova Energia owns a significant wind development pipeline, which could see the company nearly double its generating capacity by 2020. That said, it has been having trouble financing that growth due to Brazil's troubled economy. However, this deal with Brookfield Renewable, along with the cash received from the TerraForm Global transaction, will significantly increase its capital resources so that it can finance its wind pipeline.

### **Investor takeaway**

These deals do several things for Brookfield Renewable.

First, the company can put cash to work to buy assets at a discount, giving it the opportunity to boost cash flow immediately.

Second, the company can sell some of its wind assets to TerraForm Power, which would give it more money to invest in other growth opportunities.

Add it up, and Brookfield Renewable is significantly expanding its renewable power platform and its opportunity set, which should enable the company to deliver dividend growth towards the high end of its 5-9% annual range in future years.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BN (Brookfield Corporation)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BN (Brookfield)

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