



Brookfield Renewable Partners LP Has a Bright Future

Description

The markets first moved away from coal to natural gas because gas was cheaper. Now we are seeing that there are parts of the world experiencing entire days of electricity generated from renewable sources only. Ultimately, I expect to see more of these headlines as countries diversify into cleaner sources of energy.

Your investment to participate in this renewable revolution is **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)), one of the many great investments from the Brookfield family of income stocks.

Unlike other energy companies that have invested some of their resources into renewable energy, Brookfield Renewable is a pure-play renewable platform that has 260 facilities generating 10.6 gigawatts at peak production capacity. It has 89% of all its power generation coming from hydroelectric power, but it has a growing wind portfolio that contributes an additional boost to production.

It has never been a better time to buy shares of Brookfield Renewable thanks to a recent pullback due to the market overreacting to news that the company had sold additional shares to its parent, **Brookfield Asset Management Inc.** Any sort of dilution frustrates investors, but this increase in funds will allow the company to continue its expansion plans and pick up strong, new assets.

One acquisition I've been excited about is the complete takeover of **TerraForm Global Inc.** ([NASDAQ:GLBL](#)) and the purchase of 51% of **TerraForm Power Inc.** (NASDAQ:TERP). Brookfield Renewable contributed US\$500 million to the total US\$1.41 billion price tag, and this will add 1,365 MW of solar power to Brookfield's books, solar power is an energy source that Brookfield Renewable has avoided for some time.

I like this deal for two reasons. First, it's a bulk buy, adding a tonne of electricity generation to the books which will have a massive impact on cash flow. Second and more importantly, Brookfield can streamline the operation. Currently, TerraForm has awful margins because it outsources the maintenance and operations. As the CEO of Brookfield Renewable 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.”

Sign me up.

Going forward, I expect to see even more growth through acquisitions as well as organically. In the next two years, Brookfield Renewable will bring on an additional 169 MW of capacity that is currently under construction. This will increase its funds from operations by roughly US\$20.7 million.

Further, the company is planning to see a significant increase in the amount of money it generates per MWh. Currently, the company selling at a price of US\$64 per MWh. By 2021, that will grow to US\$77, which will have an immediate impact on the business’s cash flow.

And when analyzing a company like Brookfield Renewable, cash flow growth is the most important factor because it ensures the company can continue paying a strong — and growing — dividend. It currently yields over 6% and pays out a quarterly dividend of US\$0.4675.

The investment thesis is simple: the business is continuing to grow, its contractual clients will pay higher rates per MWh, and the dividend will follow.

Do you believe in the push to renewable energy? Then this is the stock for you.

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