

3 Reasons to Add This Tantalizing 6% Yield to Your Portfolio

Description

Income-hungry investors seeking solid growth shouldn't pass up **Brookfield Renewable Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)). What is one of the world's largest publicly traded renewable energy companies has been battered by a range of headwinds, but there are signs that it is now poised to grow at a rapid clip.

Now what?

Firstly, one of the primary headwinds impacting Brookfield Renewable's operations and performance, the El Niño weather pattern, is in decline.

The weather system has negatively affected rainfall patterns and hydrology in large parts of the Americas. This has been a tremendous problem for Brookfield Renewable because 88% of its installed capacity is provided by hydroelectric plants. That poor hydrology caused the water flows in those plants to fall, causing gigawatt hours generated to decrease and therefore resulting in lower revenues.

However, there are signs that the worst is over and the impact of El Niño is lessening. There has already been a marked improvement in hydrology in South America, which is responsible for just under half of Brookfield Renewable's hydro power output.

The end result is more gigawatt hours, which should give Brookfield Renewable's earnings a healthy bump.

Secondly, the partnership remains a relentless deal-making machine.

It was a year and a half ago that Brookfield Renewable led a consortium which completed the needle-moving \$2.8 billion acquisition of Colombia's third-largest electricity generator Isagen S.A. at what can only be called a bargain-basement price. This gave it a solid operational presence in one of South America's fastest-growing economies and the continent's second most populous country, which recently has been suffering from electricity shortages.

By the end of the first quarter, Brookfield Renewable had completed the full privatization and delisting of Isagen, giving it greater control and the ability to implement efficiencies to drive greater productivity and higher earnings.

Brookfield Renewable also commissioned a 25-megawatt hydroelectric facility in Brazil, which will add a further 126 gigawatt hours to its electricity output, further bolstering earnings.

There is also a portfolio of projects under development, including two wind projects in Ireland that, on completion, will add 34 megawatts of capacity and two hydro projects in Brazil. As these projects come online, they will give Brookfield Renewable's earnings a healthy lift.

Finally, Brookfield Renewable has reloaded its coffers, which can mean only one thing: it is preparing

to make further accretive acquisitions.

During the first quarter, it successfully completed a \$550 million bought deal equity offering and the private placement of a US\$475 million green bond secured against its White Pine hydroelectric portfolio in Maine. These give Brookfield Renewable well over \$1 billion that it can direct to funding new acquisitions as well as reducing existing debt incurred through asset purchases that have already been completed.

Further deals combined with its organic growth initiatives will ensure that earnings keep growing at a solid rate.

So what?

These factors all bode well for Brookfield Renewable's ability to grow earnings and unlock considerable value for investors. Especially when the powerful tailwind provided by the secular move to cleaner renewable sources of energy globally as part of the fight against global warming is considered.

Then there is that tantalizing 6% yield, which some pundits have claimed is unsustainable because the distribution has an average payout ratio over the last five years that is well in excess of 100% of its net income. Any bump in earnings will improve its sustainability and allow management to achieve its stated goal of hiking the distribution by 5-9% annually.

For these reasons, Brookfield Renewable is poised to unlock considerable value for investors over the coming months, making now the time to invest in this impressive growth stock.

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