



How to Earn a Secure 5-6% Dividend Yield From Renewable Energy

Description

Clean energy is arguably one of the biggest emerging trends that no prudent investor can afford to ignore anymore, which is why I strongly advocate adding renewable energy stocks in your portfolio. It's even better if you can find a company that is committed to shareholders and offers strong dividends. Hydropower giant **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)) is a perfect fit — the stock yields a hefty 5.5% at current prices, and there's a big chance its high yield is sustainable. Here's why.

A money-making business

Brookfield Renewable Partners pays out 70% of its [funds from operations](#), which is underpinned by the company's largely regulated business, whereby almost 90% of its cash flows are contracted. In other words, the company's cash flows are largely predictable, making it easier for management to pay stable and growing dividends.

That explains why Brookfield's dividends have grown at an annual compounded clip of 6.2% since 2012. Now, combine that with the stock's 5.6% yield, and you're sitting on good +10% annual returns.

Two factors should make Brookfield's dividends reliable going forward: a regulated business underpinned by a solid portfolio of assets and a strong global footprint.

Industry leadership a key competitive advantage

Today, Brookfield is one of the largest pure-play clean energy companies in the world with nearly 260 power-generating facilities and more than 10,000 megawatts of capacity across seven countries.

The other factor that makes Brookfield such a compelling investment is that it is in the business of hydropower, where the number of players is limited and competition isn't as intense as it is in other renewable energy fields, like solar.

To top that, Brookfield has its growth plans in place to ensure it can continue to reward shareholders richly in the years to come.

Growth + commitment = fat returns

As I've already mentioned, Brookfield's handsome dividend yield and annual dividend increases is already reaping shareholders double-digit returns at today's price. It's likely you'll continue to get similar returns for years to come if you invest in Brookfield today.

What's behind my strong conviction? The answer is management's goal to increase annual dividends by 5-9% in coming years.

That looks like an achievable target when you consider the company's long-term contractual nature of business and its plans to pump US\$500-600 million every year on high-quality growth assets. Combined, these two factors should ensure substantial cash flows for Brookfield, which could easily mean high single-digit or double-digit percentage annual returns for investors.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/07/28

Date Created

2017/08/18

Author

nehams

default watermark