



Brookfield Renewable Partners LP Is Down Over 6%: Buy the Dip?

Description

Throughout September, shares of **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)) have given up nearly 6.5% of their value. This presents a great opportunity to load up on a company that is perfect for investors hungry for income.

But why are shares down? If this month were July, you could explain it; Brookfield sold additional shares to its parent, **Brookfield Asset Management Inc.** But since then, shares have increased in price quite comfortably. Based on my analysis, the recent drop is an example of the market being irrational. It happens. But it's a good opportunity for you to take advantage.

Brookfield Renewable is a pure-play renewable platform, which means it derives all its funds from sources like hydroelectric, wind, biomass, and a growing portfolio of solar. In total, it has 260 facilities that can generate 11.6 gigawatts at peak production. As is to be expected, 89% of Brookfield Renewable's portfolio is in hydroelectric.

Brookfield Renewable's model is to issue shares and take on debt to amass a war chest, so it can pick up major assets. Management is comprised of value investors. This model works because it allows the company to significantly boost funds from operations which allows the company to aggressively boost the dividend.

One acquisition that I believe will do really well is the takeover of TerraForm Global Inc. and the additional 51% purchase of **TerraForm Power Inc.** Brookfield Renewable contributed US\$500 million to the US\$1.41 billion price and is receiving 1,365 MW of solar power. That's significant.

I like this deal because Brookfield Renewable will be able to boost margins overnight. TerraForm contracts out its maintenance and operations. Brookfield Renewable doesn't need to do that. By bringing those costs in-house, it can reduce the cost structure of the business, thus boosting funds from operations.

The company also invests resources into organic growth. Over the next two years, 169 MW of capacity will be brought online, which will add another US\$20.7 million in funds from operations.

So, how is Brookfield Renewable doing?

It released its Q2 2017 results at the beginning of August, and the numbers look solid. Total power generation was 11,618 GWh, up from 8,792 the previous year; Brookfield's share was 6,719 GWh. Its net income was US\$85 million compared to a US\$19 million loss last year. And its funds from operations per unit were US\$0.61, up from \$0.37. The business is doing very well.

This growth in earnings should continue because energy prices are going up. It currently sells a MWh of energy for US\$64. By 2021, Brookfield Renewable expects that to grow to US\$77 per MWh. It's the same energy generation, but more cash flow.

Here's the deal: Brookfield Renewable pays a seriously strong yield at 5.6%. When investors realize the irrationality that the market is experiencing, they'll pick shares up. To add a serious boost to your portfolio, start generating income from renewable sources. This company has a lot of growth ahead of it, and management is projecting 12-15% growth year after year. I say buy.

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