



Should You Buy This Renewable Energy Income Stock After its Q3 Results?

Description

At the Motley Fool, we cover a lot of different companies. For some of them, we agree with the investment thesis, and some, we don't. Investors that have been reading my articles for a couple of years know that I always have been bullish on **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#)) ([NYSE:BEP](#)).

If you had bought Brookfield [after the recent dip](#) in September, you'd be up over 4%. And you'll be earning a US\$0.47 dividend in December, which makes the investment that much better.

Then there's the recent Q3 earnings, which I believe were actually quite significant and demonstrate that the company continues to execute its strategy of investing in high-quality renewable energy projects that provide consistent cash flow.

Let's dive in a little.

During the quarter, Brookfield generated 9,370 GWh, up from 7,522 GWh in the same quarter last year. Brookfield's share of that was 5,198 GWh, which is a demonstration in its business model of investing with a consortium of investors. Funds from operations (FFO) increased from US\$73 million last year to US\$91 million this year, and on a nine-month basis, FFO came in at US\$438 million versus US\$365 million.

This cash flow generation is thanks to strong hydrology across its portfolio. In North America, its hydroelectric generation was 6% above the long-term average. And in Brazil, power prices are strong, and the company has initiated a hedging strategy to handle volatility over the next year years.

But it's on the acquisition front that business is really booming for Brookfield.

On [October 16](#), Brookfield closed the acquisition of a 51% controlling interest in **TerraForm Power Inc.** (NASDAQ:TERP). Brookfield only gets a piece of the 2,600-megawatt solar and wind company, but it expects to generate US\$40 million in FFO over the next 12 months. This deal adds solar power — something that had been lacking in Brookfield's portfolio.

On the **TerraForm Global Inc.** ([NASDAQ:GLBL](#)) front, Brookfield received approval from TerraForm's shareholders to take over the company entirely. The exact date of completion remains unknown, but this is another major project I'm bullish on for Brookfield.

Brookfield excels at operating these massive projects. CEO Sachin Shah summed it up perfectly at an Investor Day last spring: "We can run the assets, we can do the O&M [operations & maintenance] in-house, we can reduce the cost structure of this business, and we can ultimately reposition it for growth in the future."

During the quarter, Brookfield also bought a 25% stake in First Hydro, a pumped storage facility with 2,100 megawatts of capacity. And Brookfield bought a 16-megawatt wind farm in Northern Ireland. These two deals are expected to contribute US\$50 million in incremental FFO.

Combine these acquisitions with the 321 megawatts of development construction, which should bring in US\$45-50 million over the next three years, and you've got a great investment opportunity that will continue to generate strong returns.

Ultimately, the goal is to earn that dividend. Management projects to grow the distribution by 5-9% annually, so the current US\$0.4675 could be anywhere from US\$0.49 to US\$0.51 next year. That's not bad growth, if you ask me.

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