

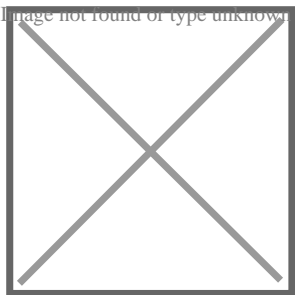


# Can You Trust This High Yelder's Dividend?

## Description

I've held units of **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)) since 2015, and it has been doing what I expected it to do — paying me a big yield and growing income. However, we all know that we cannot be complacent in the world of investing. We cannot expect companies that have increased their dividends in the past to continue increasing their dividends in their future.

Can Brookfield Renewable keep growing its distribution?



## Is Brookfield Renewable's big yield sustainable?

Brookfield Renewable just announced a distribution-per-unit increase of 4.8% early this month. So, at the recent quotation of \$40.40 per unit and the recent currency conversion from U.S. dollars to Canadian dollars (the company pays a U.S. dollar-denominated distribution), the company offers a yield of 6.1%.

I'm a little concerned that Brookfield Renewable has been increasing its distribution at a decreasing rate. This is a warning sign that the dividend could be in danger.

Year	Distribution Per Unit	Distribution Growth
2015	US\$1.66	
2016	US\$1.78	+7.2%
2017	US\$1.87	+5%

\* 2018 US\$1.96                      +4.8%

\* 2018's distribution is projected from the new quarterly distribution per unit of US\$0.49.

Another warning sign is that Brookfield Renewable has a high payout ratio. Its payout ratio was 98.4% in 2017 based on the company's funds from operations per unit of US\$1.90 for that year. On the initial look, it seems Brookfield Renewable's distribution is cutting it too close.

However, it's worth noting that 92% of Brookfield Renewable's cash flow is contracted with credit-worthy counter-parties primarily under long-term power-purchase agreements. So, its cash flow generation is largely predictable.

The company believes it can grow its distribution per unit by 5-9% per year without any acquisitions. For example, it has multiple hydro and wind projects in its advanced pipeline that will add to its cash flow when they come online. A project in Brazil and Europe are scheduled to come into service this quarter.

### **A growing business**

Since mid-2015, [Brookfield Renewable has doubled its power assets](#) from \$20 billion to \$40 billion. And it's much more diversified now with 841 power-generating facilities and the capacity to generate 16,400 megawatts of power across 24 markets in 14 countries. Its assets include hydro, wind, solar, distributed generation, and power storage.

### **Investor takeaway**

Brookfield Renewable's payout ratio may be too high for the liking of conservative investors. That said, the company believes its organic growth alone can deliver cash flow per-unit growth of 6-11%, which will sustain its targeted distribution growth of 5-9% per year.

If Brookfield Renewable grows its cash flow per unit by 6% this year, its payout ratio will be about 97.3%. In the long run, Brookfield Renewable aims to improve its payout ratio to roughly 70%.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **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. Investing

### Tags

1. Editor's Choice

### Date

2025/08/06

### Date Created

2018/02/12

### Author

kayng

default watermark

default watermark