



1 Top Growth Stock Yielding 5% for Every Portfolio

Description

One company that is poised to make solid gains but has been ignored by investors for some time is renewable energy business **Brookfield Renewable Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)). For the year to date, its stock has plunged by 8%, creating an opportunity for investors seeking to add an attractively valued, quality business that possesses a wide economic moat and steadily growing earnings to their portfolios.

Now what?

Brookfield Renewable owns a globally diversified portfolio of renewable energy assets spanning hydro, wind, and solar. For some time, it has flown under the radar, failing to garner the [same attention](#) as Brookfield stablemate **Brookfield Infrastructure Partners L.P.**, but all that is about to change.

After seeing its operations being weighed down by worse than expected water levels, because hydro is responsible for 82% of its generating capacity, Brookfield Renewable is poised to start firing on all cylinders. Improving water levels in the Americas coupled with greater demand for electricity and growing efficiencies gave its first-quarter 2018 earnings a solid lift.

Total gigawatt hours generated during the quarter were 23% year over year greater than for the same period during 2018 and marginally higher than the forecast long-term average. Funds flow from operations shot up by 16% year over year to US\$193 million, although net income of US\$8 million was half of what it had been a year earlier.

The decline in net income can be attributed to increased costs, depreciation, and amortization expenses and borrowing costs, all of which are attributable to acquisitions and growth projects that were commissioned. Once those are bedded down, costs will fall, while revenue will rise because of greater power-generating capacity, which ultimately will give Brookfield Renewable's bottom line a healthy boost.

Earnings will also grow because of the growing acceptance of climate change and plans by many governments to phase out coal-fired power generation while increasing the proportion of their nation's energy mix that comes from renewable sources. That means that the shift to renewable energy

globally, as set out by the [Paris Agreement](#) on climate change, will act as a powerful long-term tailwind for Brookfield Renewable.

Another crucial long-term growth catalyst is rising populations and greater economic growth in countries where the partnership operates. This is particularly the case for the developing nations of Brazil and Colombia, which are responsible for 20% and 15%, respectively, of Brookfield Renewable's power-generating capacity. Both have young rapidly expanding populations, and their economies have returned to growth, which, together, will drive greater demand for electricity. This is because there is an accepted direct correlation between growing populations and higher gross domestic product, because electricity is a critical element in all aspects of modern life and economic activity.

In the meantime, Brookfield Renewable and its partner's acquisition of **TerraForm Power Inc.**, including the purchase of an additional 14% share to give them 65% equity in the business in June 2018, will give earnings over the short term a notable lift.

For these reasons, it is not hard to see Brookfield Renewable hiking its distribution as its earnings expands, allowing it to achieve its target of 5-9% distribution growth.

So what?

Brookfield Renewable is a highly attractive addition to any portfolio. Its solid growth prospects coupled with strong defensive characteristics, including having 92% of all cash flows contractually secured, helps to guarantee earnings stability and growth. That further ensures the sustainability of its distribution, which is rewarding investors with a juicy yield of just under 5%.

CATEGORY

1. Dividend Stocks
2. Investing

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