

Time to Add This 5% Yield to Your Portfolio

Description

The push to renewable sources of energy is gaining [considerable momentum](#). According to a report from the International Energy Agency (IEA), renewables have surpassed fossil fuels across the world to become the leading source of new electricity generation. In the same report, the IEA stated that the global electricity sector is undergoing a radical transformation with demand for electricity overtaking oil for the first time ever.

The ascendancy of renewables among the energy mix for power generation continues at a rapid pace. The IEA claims that new wind and solar generation accounted for nearly half of all new capacity added globally during 2017. It is this which will act as a powerful tailwind for [leading renewable](#) energy utility **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)).

Now what?

Brookfield Renewable reported what, on initial appearances, appear to be poor third-quarter 2018 results. The partnership's share of total power generations shot up by 6% year over year to 5,552 gigawatt hours (GWh), although this was 7% lower than the average long-term forecast of 5,956 GWh.

Because of this Brookfield Renewable reported a net loss of US\$55 million for the quarter, which was 28% greater than the US\$43 million announced for the comparable period in 2017. The increase in its net loss can be attributed to a sharp uptick in depreciation and amortization rather than any fundamental operational problems.

However, the partnership's funds from operations for the quarter of US\$105 million was 15% greater year over year because of growth in Brookfield Renewable's portfolio of assets, cost-reduction initiatives, and higher realized power prices.

Brookfield Renewables earnings should grow further over the remainder of 2018 and into 2019. Over the past year, it has focused on expanding its business and boosting the price it receives for the electricity it generates; those activities continued during the third quarter when it entered 30 new power generation contracts in Colombia and four in Brazil.

Brookfield Renewable also commissioned a 28-megawatt (MW) wind project in Ireland and is in the process of developing 131 MW of other hydro, wind, and storage projects. After the end of third quarter, it completed the US\$50 million purchase of a 23 MW Irish wind facility of which US\$20 million represented its contribution to the deal.

These will all boost Brookfield Renewable's funds flow and earnings. The partnership's ongoing focus on diversifying its sources of renewable electricity generation, notably by acquiring further wind facilities, will reduce its vulnerability to deficient hydrology. Poor water levels have been responsible for Brookfield Renewable's electricity output being lower than anticipated because 76% of its 17,400 MW

of installed capacity comes hydroelectric plants. These are highly dependent on water levels to be capable of generating forecast levels of electricity.

Brookfield Renewable also announced in those third-quarter results that it was engaging in US\$850 million of capital-raising initiatives through capital recycling, refinancing, and growing asset valuations. These activities are expected to bolster its liquidity to US\$2.3 billion, which will give the partnership considerable financial resources to make further opportunistic and accretive acquisitions.

So what?

Brookfield Renewable is nicely positioned to continue growing its portfolio of renewable power generating assets and the massive push for renewable electricity will act as powerful tailwind for revenue. While investors wait for that to translate into higher earnings, which will give Brookfield Renewable's stock a healthy lift, they will be rewarded by its regular and sustainable distribution, which is yielding a juicy 5%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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