



Dividend Investors: Collect 7% to Own This Forever Asset

Description

When choosing stocks for my investment portfolio, I'm primarily worried about owning great businesses that can stand the test of time. I like to refer to these as my collection of forever assets.

Canada's banks are a great example of forever assets. I know people are going to need access to banking services going forward. We need a secure place to store our money, even as that money exists more in an electronic format. We're also going to need to borrow money. Canada's banks are well positioned to continue dominating both of these markets for decades to come.

Power generation is another forever asset, especially renewable power. We're collectively amassing more and more gadgets in our homes, all of which require electricity to power their batteries. Electric cars will also put pressure on the grid. Coal-fired power plants should continue to be mothballed too, leaving ample opportunity for renewable power generators.

One of Canada's best power-generation stocks is **Brookfield Renewable Partners** ([TSX:BEP.UN](https://www.bse.com/quote/BSE:TSX:BEP.UN))([NYSE:BEP](https://www.nyse.com/quote/NYSE:BEP)). Here's why I think it makes a great buy-and-hold forever asset for your portfolio.

Wonderful assets

Brookfield Renewable Partners is one of the world's largest providers of power. Collectively, its portfolio generates 17,400 MW across nearly 900 facilities, which are spread across North America, South America, and Europe. These assets are worth approximately US\$40 billion.

Brookfield does things a little differently than many other power producers. If it can't find good assets to buy or get an attractive return to build, it simply won't act. Management is content to sit on their hands until the right opportunity comes along. They're confident this long-term approach to the business can generate 12-15% total returns annually on a consistent basis going forward.

Meanwhile, the trend is certainly on the company's side.

The world is moving away from fossil fuel-generated power in a big way. Canada is seeing this as

much as anywhere, with Alberta making the decision to ban all coal-fired power in the province by 2030. Our federal government is also working with other provinces that rely on coal-fired power to phase out the practice.

Although the United States has no such government intervention currently in the power industry, it's obvious the world's largest economy is moving away from coal-fired electricity as well.

In short, there will be plenty of opportunities for Brookfield to invest in renewable projects in the future.

Brookfield has a comprehensive three-part growth plan for its existing assets, too. The first step is to negotiate 1-2% annual raises in its power-purchase agreements. Next it will find a way to wring 2-3% operational efficiencies each year from its portfolio. It will also buy assets knowing it has potential to add to these projects over time. Put all of these together and we're looking at 6-11% earnings growth from existing assets alone. Any acquisitions are just gravy.

A great dividend

Income investors should immediately be attracted to Brookfield's 7% dividend because of the current yield. Some might think it's unsustainable, but 2018's payout ratio is expected to be approximately 80% of funds from operations.

The dividend growth is just a bonus. Since 2011, Brookfield has increased its payout from US\$1.32 per share to US\$1.96 per share. That's good enough for 6% annual growth, which is excellent coming from a stock with such a high current yield.

If Brookfield can continue delivering 6% annual dividend growth going forward, income investors would be looking at a 12.7% yield on cost in just a decade. What a great result for someone who will eventually be dependent on dividends.

The bottom line

Brookfield Energy Partners has everything a long-term income investor should be looking for. It has great assets with pricing power. It has growth potential and a sharp management team with a value focus being responsible with shareholder money. And it pays a great current dividend with potential for the payout to creep higher over time.

This is the kind of stock investors will look back a decade from now and regret not buying today. Take advantage of today's great entry point and add it to your portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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1. Msn
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