



Brookfield Renewable Partners L.P. (TSX:BEP.UN): A Green Income-Generating Powerhouse

Description

The push towards expanding the share of the world energy mix generated by renewable sources of energy continues to [gain momentum](#). During 2017 a record amount of renewable power capacity was installed globally with wind and solar being the leading sources, because of falling costs per megawatt hour produced. For that period, global installed capacity for renewable's reached 2,195 gigawatts (GW), which was 9% greater than a year earlier.

According to analysts, many forms of renewable power are now more [cost effective](#) than many fossil fuels such as coal. Those factors — along with a growing population and a robust global economy — can only drive greater demand for electricity generated by renewable means. One company that is well positioned to benefit from these trends is **Brookfield Renewable Partners** ([TSX:BEP.UN](#))(NYSE:BEP), which owns and operates a globally diversified portfolio of green energy assets.

Robust results

Brookfield Renewable is a leading global provider of electricity generated by renewable energy assets, which operates across 15 countries and has 17,400 megawatts (MW) of installed capacity, of which 76% is derived from hydro power. The partnership reported credible third-quarter 2018 results where funds flow from operations grew by 15% year over year to US\$105 million, although it reported a net loss of US\$55 million compared to a loss of US\$43 million a year earlier. The deterioration in Brookfield Renewable's bottom line can be blamed on greater-than-expected depreciation being recorded on its profit and loss statement, which more than offset the growth in funds flow from operations.

Nonetheless, Brookfield Renewable should announce better financial performances over coming quarters, because it is focused on improving its contract profile and reducing costs. During the third quarter, it completed 30 new contracts in Colombia, representing 2,545 gigawatt hours (GWh) of generation at an average price of US\$65 per megawatt hour (MWh) delivered. In Brazil it entered four new contracts to deliver 221 GWh until 2023. A return to growth in Colombia and Brazil will trigger

greater demand for electricity, because there is a direct correlation between higher GDP and greater demand for energy.

These factors highlight Brookfield Renewable's focus on boosting prices and the volume of electricity to be delivered, which will lead to higher earnings.

Improved hydrology will also see water flows increase, which should boost the volume of electricity generated by the partnership's hydro facilities, causing earnings to grow. Brookfield Renewable's decision to diversify its assets by expanding its wind and solar capacity has also helped to reduce the impact of poor water flows caused by various climate anomalies on its operations.

The vast majority of the partnership's earnings are contracted, which means they are virtually guaranteed and therefore highly dependable.

Brookfield Renewable is focused on using internal growth initiatives, which will be fully funded from cash flows generated by existing assets to achieve its targeted growth. That means it is not dependent on funding mergers and acquisitions to achieve those targets. This helps to ensure the sustainability of Brookfield Renewable's distribution, which is currently yielding a very tasty 7%, and there is every indication that it can grow that payment at 5-9% annually as planned.

Why buy Brookfield Renewable?

Brookfield Renewable is attractively valued and provides investors a mix of growth and income from a globally diversified portfolio of power-generating assets. Because of steep barriers to entry for the utility industry, it possesses a wide economic moat, which — along with the inelastic demand for electricity — protects its earnings during economic downturns. Those characteristics also mean that strong global growth will drive Brookfield Renewable's earnings higher at a solid clip. For these reasons, it should be a core holding for any income-hungry investor.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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