



Now Is the Time to Add This Top Renewable Energy Stock to Your Portfolio

Description

I have been bullish in renewable energy stock **Brookfield Renewable Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)) for [some time](#). Despite in the past struggling to unlock value for investors, since 2016 there have been signs that its operations are delivering solid returns with the business benefiting from a mixture of improved conditions and accretive acquisitions. While the **iShares Global Clean Energy ETF**, which provides broad-based exposure to a range of renewable energy companies has gained 5% over the last year, Brookfield Renewable is down by 4.5% for the same period. This has created an opportunity to boost exposure to what is the premier publicly listed globally diversified renewable energy stock at an attractive valuation.

Quality electricity generating assets

Brookfield Renewable, which owns a portfolio of renewable energy assets with installed capacity of 17,400 megawatts (MW) across 15 countries, recently reported some solid fourth quarter and full-year 2018 results. The partnership's share of total power generation over the quarter and the full-year grew by 20% and 7.4%, respectively to be 7,052 and 25,753 gigawatt hours (GWh).

This notable expansion of electricity production also exceeded the long-term average for the fourth quarter by 7%, although for the full year it fell slightly compared to the long-term average. That robust growth can be attributed to a combination of recent acquisitions, including recently built wind and solar assets in Spain, improved waterflows at its hydro plants and the commissioning of 60MW of new wind and hydro assets. Brookfield Renewable also boosted its long-term profitability by locking in longer term power purchase agreements on favourable terms in Colombia and Brazil.

As a result, the partnership announced some robust financial results. These included a massive 44% year over year increase in fourth quarter funds flow from operations to US\$206 million and a 16% increase annually to US\$676 million. Brookfield Renewable's 2018 adjusted EBITDA soared by 16% compared to a year prior to US\$1.3 billion. The key operational segments primarily responsible for that impressive earnings growth were its Colombian hydro business along with its wind and solar operations.

There are signs that Brookfield Renewable can continue to generate solid earnings growth. It has a 350 MW portfolio of projects under development, giving it a sizable organic growth pipeline, which will bolster power generation and earnings as those assets are commissioned.

The partnership is also focused on expanding its operations into China, one of the fastest growing electricity markets globally where the government is focused on reining in eye-watering levels of pollution by boosting investment in renewables. The [ongoing push](#) to reduce global warming, which sees governments worldwide implementing a range of clean energy targets, will keep acting as a powerful long-term tailwind.

During 2018, a range of cost reduction initiatives in the U.S. and Colombia were also introduced, which will enhance operating margins in those countries.

Brookfield Renewable's finished 2018 with US\$2.2 billion in available liquidity, leaving it well positioned to make further opportunistic acquisitions as and when they arise. It also has a well-laddered debt profile with no major maturities over the next four years and an overall duration of greater than 10 years. This bolsters Brookfield Renewable's ability to weather any prolonged market downturn while still being able to fund further growth.

Why buy Brookfield Renewable

Those solid results coupled with Brookfield Renewable's robust outlook saw the business hike its quarterly dividend by 5% to \$0.515 per share, giving it a very juicy 7% forward yield. Because the partnership possesses utility like qualities, including operating in heavily regulated capital-intensive industry along with generating 76% of the electricity produced from hydro, it possesses a wide economic moat. That protects its earnings from competition, and combined with the relatively inelastic demand for electricity significantly reduces the impact of economic downturns. For these reasons, Brookfield Renewable is the ideal stock for investors seeking a mixture of compelling growth and income as well as credible defensive characteristics.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

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