



## 1 Top Utility Yielding +6% to Buy Today

### Description

Uncertainty has once again swept through financial markets, as the threat of a trade war between the world's two largest economies, the U.S. and China, emerges once again. This saw the TSX pull back from its recent record high and oil decline. It also underscores the significant degree of economic and political uncertainty that exists globally, making it imperative that investors bolster their exposure to defensive stocks.

One business that provides a healthy [mix of growth](#) and utility-like, defensive characteristics is leading clean energy stock **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)).

### Solid results

The partnership continues to announce robust results, including for the first quarter 2019, where net income expanded by over five times to US\$43 million after a notable increase in electricity generation. The volume of electricity attributable to Brookfield Renewable's share of its operations shot up by 8% year over year to 7,246 gigawatt hours (GWh) and 6% greater than long-term average generation. Proportionate adjusted EBITDA grew by 13% to US\$395 million and funds from operations (FFO) expanded by 18% to US\$227 million.

The overall capacity of the Brookfield Renewable's operations also expanded; it commissioned a 19-megawatt (MW) hydro facility in Brazil, which is forecast to add around \$2 million annually to its FFO. It also has a further 134 megawatts of projects under development; on commissioning, they will bolster Brookfield Renewable's generating capacity and hence earnings.

The partnership also entered a \$750 million deal with beaten-down electric utility **TransAlta**. Brookfield Renewable will invest in the utility in two tranches of \$350 million and \$400 million, respectively. If the business elects to execute its rights under the convertible debt instruments, it can gain a 49% interest in TransAlta's 813-megawatt hydroelectric portfolio in Alberta. That will act as a powerful growth driver for future earnings, particularly with some analysts viewing the deal as a bargain for Brookfield Renewable and its institutional partners.

Another pleasing development for investors is the partnership's agreement to acquire two wind farms in India, which have combined capacity of 210 MW. That not only further diversifies its operations away from hydroelectricity, reducing the impact of poor hydrology and water levels on its operations, but gives Brookfield Renewable exposure to the world's fastest-growing major economy. There is a direct correlation between higher gross domestic product (GDP) and greater consumption of electricity.

This also bodes well for Brookfield Renewable's earnings from its Colombian and Brazilian operations. The economies of both South American nations have returned to growth after a rocky patch, and Brookfield Renewable was able to favourably boost its contract profile in both countries, bolstering the security of its local earnings.

## Solid balance sheet and secure earnings

The partnership finished the first quarter 2019 with a robust balance sheet, available liquidity expanded by a healthy 17% to US\$2.3 billion, and a well-laddered debt profile has no significant maturities until 2023.

Brookfield Renewable's earnings are virtually guaranteed because around 90% of its proportionate electricity generation during 2019 is contracted with a weighted average contract life across its power-purchase agreements of 14 years. Those agreements are typically inflation linked, which essentially guarantees that earnings will keep growing.

## Putting it together for investors

When coupled with a wide economic moat and the inelastic demand for electricity, Brookfield Renewable's defensive characteristics become quite clear. The secular trend to renewable forms of energy, which forms part of the battle against global warming, will act as powerful tailwind for Brookfield Renewable.

The partnership has a long history of rewarding investors through regularly growing distributions, having hiked that payment for the last nine years, giving Brookfield Renewable a juicy yield of almost 7%. Despite the concerns voiced by some [pundits](#), that very appealing distribution is sustainable with a FFO payout ratio of 75% combined with growing earnings.

For these reasons, Brookfield Renewable should be a core holding in every portfolio.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Investing

### Date

2025/08/21

### Date Created

2019/05/07

### Author

mattdsmith

default watermark

default watermark