



This Clean-Energy Utility Yielding Almost 6% Is My Top August Buy

Description

Historically low interest rates, the latest rate cut by the Fed, and a dovish approach to the economy continue to weigh on the fortunes of traditional income-producing assets such as bonds. While this is impacting income-hungry investors such as retirees, it is a boon for highly leveraged companies operating in capital-intensive industries such as utilities. One electric utility that recently reported some strong second-quarter 2019 results and is poised to deliver [considerable value](#) for investors is **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)).

Strong results

The partnership is one of the largest publicly listed renewable energy utilities globally with 17,00 megawatts (MW) of installed capacity. Brookfield Renewable reported an impressive second-quarter improvement in its operational and financial results. These included an 18% year-over-year increase in electricity generation to 7,602 gigawatt hours (GWh), which was also 7% greater than forecast long-term generation. Proportionate adjusted EBITDA soared by 23% year over year to US\$400 million, while funds from operations shot up by an impressive 34% to US\$230 million.

The notable increase in the volume of electricity generated can be attributed to assets being added to Brookfield Renewable's portfolio, as well as improved hydrology, which boosted output from its hydro-plants in North America. This combined with re-contracting initiatives, which delivered higher prices in Colombia, Canada, and Western Europe for each GWh produced, and cost-reduction initiatives were responsible for the impressive increase in earnings and FFO.

Those trends, including solid earnings growth, will continue for the foreseeable future.

You see, Brookfield Renewable is focused on contracting higher prices for the electricity it produces, which has been a successful strategy in Colombia and Brazil, further reducing costs and adding additional renewable energy plants to its portfolio.

Growing portfolio

Brookfield Renewable has embarked on and in some cases completed a series of transactions that will further boost its installed capacity. In late July 2019, the partnership announced through **TerraForm Power** that for US\$720 million, it would acquire 322 MW of U.S. distributed generation assets from **AltaGas**, comprising 312 MW of solar facilities and 10 MW of fuel cell assets.

During the second quarter, Brookfield Renewable purchased a 210 MW wind portfolio in India, completed the first tranche totalling \$350 million of its planned \$750 million investment in TransAlta's renewable portfolio, and announced it had established a US\$500 million joint venture in a solar energy provider.

Brookfield Renewable is also progressing the construction of four renewable energy assets in China, the U.S., Ireland, and Brazil with combined installed capacity of 131 MW. It is anticipated that those projects will be commissioned between the end of the third quarter 2019 and second quarter 2021. Upon commencing operations, it is envisaged that they will boost annual FFO by around US\$11 million.

An important development is Brookfield Renewable's announcement that it had bolstered its available liquidity to US\$2.5 billion, which is a 28% increase compared to the end of 2018. That leaves it well positioned to fund the development of the facilities under construction, meet the obligation to complete the investment in TransAlta, and make further opportunistic acquisitions.

Foolish takeaway

Brookfield Renewable's earnings are poised to continue growing at a solid clip, which will give its bottom line and ultimately market value a healthy lift. While investors wait for that to occur, they will be rewarded by its regularly growing and [sustainable distribution](#), which Brookfield Renewable has hiked for the last nine years straight to be yielding a very juicy 5.7%.

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