



Investors: Is it Time to Consider Brookfield Renewable Partners (TSX:BEP.UN)?

Description

Shares of **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) have returned 26.6% in the last 12 months and 41% year to date, easily outperforming broader indices.

BEP owns and operates a portfolio of assets that generate electricity from renewable resources. These assets include hydroelectric facilities and wind facilities across North America, Brazil, Europe, and Colombia.

Brookfield Renewable owns 10,730 megawatts (MW) of installed capacity as well as 6,000 MW of development pipeline in 15 markets. It has over 200 hydroelectric power-generating stations and 38 wind facilities.

Revenue growth not too exciting for investors

While BEP sales rose 7.05% to \$2.62 billion in 2017, they rose 13.6% to \$2.62 billion in 2018. However, the company's sales growth is decelerating. Analysts covering BEP estimate sales to rise by 2.3% to \$3.05 billion in 2019 and then fall 3% to \$2.96 billion in 2020.

However, the company's earnings growth is set to expand at an exponential rate. BEP's earnings per share are estimated to rise by a significant 115.4% in 2019, 60.7% in 2020, and by an annual rate of 55.9% in the next five years.

Compare BEP's earnings growth to its forward price-to-earnings (P/E) multiple of 110.7 times, and we can see that the stock is not too expensive. Yes, a stock with a forward P/E multiple north of 100 might still have some upside potential given its expected growth in profit margins.

Why is Brookfield Renewable management optimistic?

Brookfield Renewable's management was satisfied with company performance in the second quarter of 2019. Its funds from operations rose 35% year over year to \$0.74 per share. BEP's strong

performance in the June quarter was driven by its operating business and recent acquisitions.

In the second quarter, BEP announced an investment in a joint venture (JV) with a solar developer that has in excess of 6,500 MW of utility-scale PV solar. Additionally, BEP also closed an acquisition of 210 MW of operating wind in India. It completed a \$350 million Canadian tranche investment (out of a total \$750 million) for its Alberta renewables portfolio.

BEP has doubled its Distributed Generation footprint with the 322 MW acquisition of **TerraForm Power**. This acquisition will provide Brookfield with opportunities to increase cash flow growth driven by operational and commercial synergies.

In the second quarter, BEP closed the sale of its South African facilities, generating \$275 million in incremental liquidity.

JV with KKR

Brookfield is optimistic about the 50/50 JV with private equity company KKR. During the latest earnings call, CEO Sachin Shah stated, "Our 50/50 joint venture with KKR to own one of the largest solar developers globally, with an experienced management team, best-in-class contracting capabilities, and a proven track record of developing assets at premium returns."

He added, "The portfolio comprises approximately 275 megawatts of operating solar, 1,400 megawatts solar under construction, and a broader 4,800 megawatt development pipeline, which should provide significant growth optionality over the long term."

In the next five years, BEP plans to develop about 500 MW of new solar capacity annually in the existing pipeline. It will continue to look for development opportunities in the global solar market, which will complement the company's existing pipeline of development projects.

The verdict

BEP looks like a [solid investment in the renewable energy sector](#). However, there is a chance for some significant correction, as markets are set to experience volatility. BEP investors should look to buy the stock at major dips, especially as earnings growth will drive the stock price higher.

Further, BEP pays dividends of \$2.06 per share, indicating a dividend yield of a solid 5.5%. Analysts have a 12-month target price of \$35.56. This means BEP stock is trading at a significant premium of 29%.

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