



Get Ready for This Renewable Energy Stock Yielding 4.5% to Soar Higher in 2020

Description

Last year leading renewable energy utility **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) soared by an impressive 69% substantially outperforming the **S&P/TSX Composite Index**, which despite reaching a record high, only delivered 19%. There are indications that even after that strong performance, the stock is poised to rise further and deliver [considerable value](#) during 2020.

Diversified portfolio

Brookfield Renewable owns a globally diversified portfolio of renewable energy assets covering 15 countries across North and South America, Western Europe and Asia.

That portfolio has installed capacity of 18,000 megawatts (MW), of which 74% is generated by hydroelectric plants and the remainder from wind and solar facilities.

North America is responsible for 62% of the electricity generated by the partnership's assets followed by Latin America and Asia at 33% with the remainder being produced in Europe.

That emphasizes the importance of North American energy markets for Brookfield Renewable Partners and its ability to grow earnings.

The business solid performance for the first nine months of 2019 was responsible for boosting its market value and the strong gains made during 2019.

After struggling to unlock value from its power portfolio, Brookfield Renewable finally reported some solid operational numbers, including actual electricity generation for the period rising by almost 7% year over year to 40,095 gigawatt hours (GWh).

The increase in electricity output was driven by improved hydrology lifting the performance of the partnership's hydro segment and the addition of new wind assets.

That was also 2% greater than the projected long-term average and a key driver of Brookfield Renewable's notable financial performance since the start of 2019.

The partnership reported net income of US\$7 million compared to a US\$49 million loss a year earlier, while funds from operations (FFO) has shot up by an impressive 27% per unit. Initiatives aimed at controlling costs and boosting the price of the electricity sold also contributed to higher FFO and net income.

There is every indication that Brookfield Renewable's electricity output and earnings will continue to grow at a solid clip throughout 2020. During 2019, Brookfield Renewable's subsidiary **TerraForm Power** completed the acquisition of a large-scale U.S. electricity distribution business with 322 MW of capacity.

Brookfield Renewables also closed added 200MWs of wind assets in China and commissioned 8MWs of solar rooftop assets. These latest additions will bolster the amount of power generated further lifting earnings and cash flow during 2020.

At the end of the third quarter 2019, Brookfield Renewables had 151MWs of hydro, wind and solar assets under construction, which are expected to enter service by the end of 2021.

Collectively, these are expected to add US\$11 million to the businesses FFO, further increasing its earnings over the course of 2020 and into 2021.

The ongoing fight against climate change and global warming, which sees many nations implementing aggressive clean energy targets, will act as a powerful long-term tailwind for Brookfield Renewable, further enhancing its earnings growth.

Aside from an increased asset value and higher earnings boosting Brookfield Renewable's market value, growing cash flow will also support further distribution hikes.

The partnership has increased its distribution for the last nine years straight, giving it a juicy 4.5% yield. The payment certainly appears sustainable given that it has a payout ratio of around 83% of FFO and that earnings as well as funds flow will keep growing. Brookfield Renewable anticipates growing that distribution by 5% to 9% annually with FFO projected to expand by 6% to 11%.

Foolish takeaway

Brookfield Renewable possesses considerable growth potential which will see its earnings and hence market value rise solidly over the course of 2020.

In conjunction with its wide economic moat, strong [defensive characteristics](#) and high likelihood of further distribution hikes, it will deliver significant value, making now the time to buy.

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