Better Buy: NextEra Energy vs. Brookfield Renewable Partners

Description

In the last decade, the shift towards clean energy sources gained significant momentum globally. This trend is all set to accelerate in the next 30 years, as countries are looking to fight climate change and move away from fossil fuels. The transition towards renewable energy sources remains inevitable, and this sector will attract investments of around US$150 trillion through 2050.

Right now, renewable energy sources, including wind, solar and hydro, account for 20% of the total electricity generated by the global power sector. Since 2012, the clean energy sector has expanded at a brisk pace, with electricity generating capacity rising 300% in this period.

Most renewable energy players enter into long-term PPAs, or power-purchase agreements, with utility companies to buy power generated from clean energy sources. This provides investors with earnings visibility while allowing companies to generate cash flows across business cycles.

Keeping these factors in mind, I compare two renewable energy giants, **NextEra Energy** (NYSE:NEE) and **Brookfield Renewable Partners** (TSX:BEP.UN), to see which is a better stock to buy right now.

The bull case for NextEra Energy

Valued at a market cap of US$166.7 billion, NextEra Energy is among the largest producers of solar and wind in the world. Down 10% from all-time highs, NEE stock has returned over 500% to shareholders since January 2013 after adjusting for dividends. Since 2005, the renewable energy giant has expanded earnings at an annual rate of 8%, which has driven the share price higher.

Moreover, NextEra Energy pays investors a dividend yield of 2.1%, and its dividend payouts have increased by close to 10% in the last 18 years.

In the next few years, NextEra Energy is looking to increase solar energy capacity and replace natural gas with renewables at its power plants.

NextEra's capital-expenditure deployments will enable the company to increase earnings between 6%

and 8% through 2025, which should support future dividend hikes. NextEra is optimistic about raising dividends by 10% in the next two years. Equipped with a strong balance sheet, NextEra has enough flexibility to maintain its leadership position in the renewable sector.

The bull case for Brookfield Renewable

Another major player in the renewable energy space, **Brookfield Renewable** (TSX:BEP.UN) has returned 346% to shareholders since January 2013. Despite these market-thumping gains, BEP stock offers investors a tasty dividend yield of 4.5%.

While hydropower accounts for 50% of BEP's portfolio, it is also looking to increase its assets in wind and solar energy.

Brookfield has created massive wealth for long-term investors, generating annual returns of 18% as a publicly listed company. It has driven earnings higher via organic growth and accretive acquisitions, as its bottom line has expanded by 10% annually since January 2013. This has allowed the company to increase dividends by 6% annually since 2012.

Brookfield is on track to triple its power-generation capacity, which should drive cash flows higher in the future. Brookfield expects to maintain its stellar returns in the near term, given its robust pipeline of development projects, enabling it to increase dividends between 5% and 9% annually in 2023 and beyond.

The Foolish takeaway

It is quite difficult to choose a winner between NextEra Energy and Brookfield Renewable. Given their market shares and wide economic moats, it makes sense to initiate a small position in each of these stocks to benefit from market-beating gains.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:NEE (NextEra Energy Inc.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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