Brookfield Renewable Partners (BEP)

Updated August 20th, 2018 by Nick McCullum

Key Metrics

Current Price:	$31	**5 Year CAGR Estimate:**	13.5%	**Volatility Percentile:**	16.2%
Fair Value Price:	$34	**5 Year Growth Estimate:**	6.0%	**Momentum Percentile:**	91.7%
% Fair Value:	111%	**5 Year Valuation Multiple Estimate:**	1.3%	**Valuation Percentile:**	75.1%
Dividend Yield:	6.2%	**5 Year Price Target**	$45	**Total Return Percentile:**	88.9%

Overview & Current Events

Brookfield Renewable Partners L.P. operates one of the world's largest portfolios of publicly-traded renewable power assets. Its portfolio consists of over 16,300 megaWatts of capacity and 843 generating faciltiies in North America, South America, Europe, and Asia. Brookfield Renewable Partners is one of four publicly-traded listed partnerships that is operated by Brookfield Asset Management (BAM). The others are Brookfield Property Partners (BPY), Brookfield Infrastructure Partners (BIP), and Brookfield Business Partners (BBU). Brookfield Energy Partners trades with a market capitalization of US$10 billion and is cross-listed on the New York Stock Exchange and the Toronto Stock Exchange, where it trades under the tickers 'BEP' and 'BEP.UN', respectively. Despite operating as a Canadian company, Brookfield Energy Partners reports financial results in U.S. dollars. All figures in this report refer to its NYSE stock listing and are denominated in U.S. dollars.

In early August, Brookfield Renewable Partners reported (8/3/18) financial results for the second quarter of fiscal 2018. In the quarter, the company's actual generation increased by 12.9% while its long-term average generation capabilities (which represents how much electricity would be generated if all of the company's assets generated electricity at their long-term average levels) increased by 26.8%. On the bottom line, normalized funds from operations per unit increased by 15.8% while Brookfield reported a net loss per unit of $0.01, comparing very negatively to last year's earnings-per-share of $0.13. While the partnership's earnings-per-share look disappointing on the surface, we recommend that investors pay closer attention to its FFO numbers. Indeed, the markets reacted positively to Brookfield Energy Partners' earnings release and shares continue to trade about 4% higher than their pre-earnings announcement levels.

Growth on a Per-Share Basis

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2023
FFOPS[1]	---	---	---	$1.65	$1.31	$2.24	$2.07	$1.69	$1.45	$1.90	***$2.40***	***$3.20***
DPS	---	---	---	$1.31	$1.38	$1.45	$1.55	$1.66	$1.78	$1.87	***$1.96***	***$2.62***

Brookfield Renewable Partners has generated $1.20 in normalized funds from operations per share through the first six months of this fiscal year. We believe that the company is likely to generate $2.40 of funds from operations for the full fiscal year. Beyond that, we believe that the track record of the Brookfield companies means that Brookfield Renewable Partners is likely to achieve its objective as a publicly-traded partnership: *"Its investment objective is to deliver long-term annualized total returns of 12%-15%, including annual distribution increases of 5-9% from organic cash flow growth and project development."* Given Brookfield Renewable Partners' 6%+ yield, we believe that investors can expect organic growth to contribute around 6% to the partnership's annualized returns moving forward.

Valuation Analysis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	Now	2023
Avg. P/FFO	---	---	16.2	22.4	11.7	14.9	15.5	20.5	18.4	***13.1***	***14.0***
Avg. Yld.	---	---	4.9%	4.7%	6.9%	5.8%	6.3%	6.0%	5.4%	***6.2%***	***5.0%***

[1] We use normalized funds from operations where applicable.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Brookfield Renewable Partners has traded at an average price-to-FFO multiple of 17.0 over the last decade. We believe that this valuation is a bit rich for the company given comparable valuations among its peer group (and its cousins in the Brookfield family of companies). Instead, we believe a price-to-FFO multiple of 14 is reasonable for this renewable energy infrastructure partnership. If Brookfield Energy Partners' valuation reverts to 14 times funds from operations over the next five years, returns will be boosted by 1.3% per year during this time period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

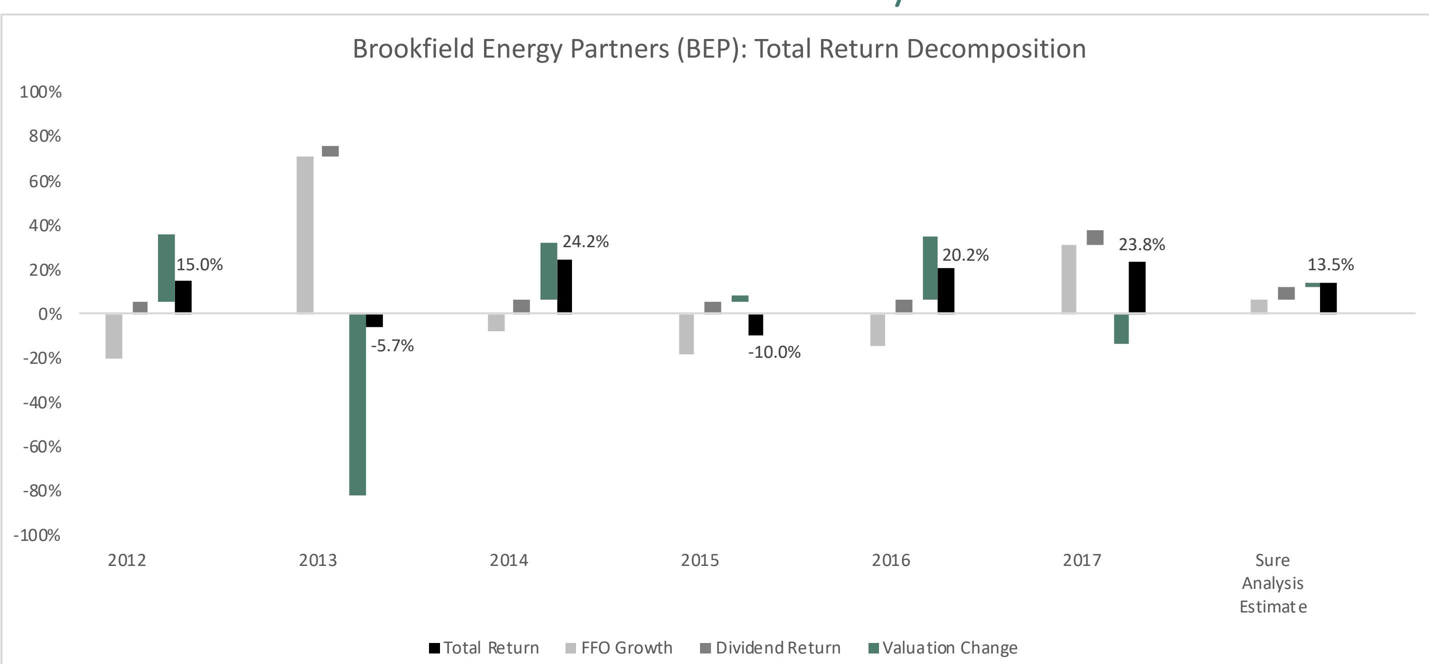
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2023
GP/A	-3.3%	-2.1%	5.4%	5.0%	5.0%	6.9%	5.9%	5.5%	5.1%	5.3%	***5.0%***	***5.0%***
Debt/A	69.7%	73.4%	62.6%	54.2%	53.9%	55.7%	55.3%	55.1%	54.3%	53.8%	***55.0%***	***55.0%***
Int. Cov.	-2.5	-3.0	1.8	-0.2	0.7	1.6	1.5	1.2	1.0	1.3	***1.25***	***1.5***
Payout[2]	---	---	---	79.4%	105%	64.7%	74.9%	98.2%	123%	98.4%	***81.7%***	***81.9%***
Std. Dev.	---	19.3%	16.8%	20.7%	15.0%	13.8%	12.1%	17.6%	19.7%	11.2%	***19.0%***	***19.0%***

Brookfield Renewable Partners has a low ratio of gross profit to assets, which is a trait it shares with the other members of the Brookfield family of companies. Still, we believe that the partnership benefits from Brookfield's various competitive advantages, which include a global operating presence, a long and successful track record of owning and operating real assets, and a skilled management team. Because of this, we believe that Brookfield Energy Partners' robust performance record is set to continue for the foreseeable future.

Final Thoughts & Recommendation

Brookfield Renewable Partners continues to be one of the largest and most successful pure-play investment opportunities in the world of renewable energy. More importantly, the company's recent performance has been quite strong, with normalized funds from operations growing by more than 15% in the last reporting period. The partnership is also trading at a modest discount to fair value and valuation expansion will likely provide a slight tailwind for the stock's future returns. For these reasons, Brookfield Renewable Partners earns a buy recommendation from Sure Dividend at current prices.

Total Return Breakdown by Year



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