Brookfield Renewable Partners (BEP)

Updated February 9th, 2022 by Aristofanis Papadatos

Key Metrics

Current Price:	$34	**5 Year CAGR Estimate:**	7.3%	**Market Cap:**	$15.8 B
Fair Value Price:	$31	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	2/25/2022
% Fair Value:	110%	**5 Year Valuation Multiple Estimate:**	-2.1%	**Dividend Payment Date:**	3/31/2022
Dividend Yield:	3.8%	**5 Year Price Target**	$41	**Years Of Dividend Growth:**	1
Dividend Risk Score:	F	**Retirement Suitability Score:**	D	**Last Dividend Increase:**	5.3%

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 about 27,000 megawatts of capacity in North America, South America, Europe, and Asia. Brookfield Renewable Partners is one of four publicly traded listed partnerships that are operated by Brookfield Asset Management (BAM). The others are Brookfield Property Partners (BPY), Brookfield Infrastructure Partners (BIP), and Brookfield Business Partners (BBU). Brookfield Renewable Partners trades with a market capitalization of US$15.8 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. On December 11th, 2020, Brookfield Renewable Partners implemented a 3-for-2 stock split.

In early February, BEP reported (2/4/22) financial results for the fourth quarter of fiscal 2021. Its share of actual generation edged up 1% and its normalized funds from operations per unit grew 11%, from $0.37 to $0.41, thanks to strong asset availability and growth from recent acquisitions. The company is resilient to the pandemic thanks to its diversified portfolio and the 14-year average duration of its contracts. It has more than 600 customers, with the largest non-government customer generating only 2% of the revenues of the company.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
FFOPS[1]	$0.87	$1.49	$1.38	$1.13	$0.97	$1.27	$1.44	$1.24	$1.52	$1.45	***$1.80***	***$2.41***
DPS	$0.74	$0.77	$0.83	$0.89	$0.95	$1.00	$1.31	$1.03	$1.30	$1.22	***$1.28***	***$1.63***
Shares[2]	265.3	265.3	271.2	275.6	288.7	311.8	312.2	311.3	473.3	473.5	***474.0***	***500.0***

We expect Brookfield Renewable Partners to continue growing funds from operations at a meaningful pace via its heavy investing in new projects and the steadily decreasing production cost of solar and wind power. The company has nearly 15,000 megawatts (~56% of its current capacity) of new projects under construction and it is one of the largest publicly traded renewable power platforms. Brookfield Renewable Partners objective as a publicly traded partnership 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.*" While the total return portion is based on the market price of the security, the distribution and business growth are under the company's control. We believe Brookfield Renewable Partners investors can expect organic growth of around 6% over the intermediate term.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/FFO	11.7	14.9	15.5	20.5	18.4	14.1	14.6	21.9	27.5	***18.9***	***17.0***
Avg. Yld.	6.9%	5.8%	6.3%	6.0%	5.4%	6.4%	5.7%	3.9%	3.1%	***3.8%***	***4.0%***

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

[2] In millions.

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Brookfield Renewable Partners is currently trading at a price-to-FFO ratio of 18.9. The stock has traded at an average price-to-FFO multiple of 17.0 over the last decade. If it reverts to its historical valuation level, it will incur a -2.1% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout[3]	105%	64.7%	74.9%	98.2%	123%	98.4%	90.7%	84.1%	85.5%	84.1%	***71.1%***	***67.8%***

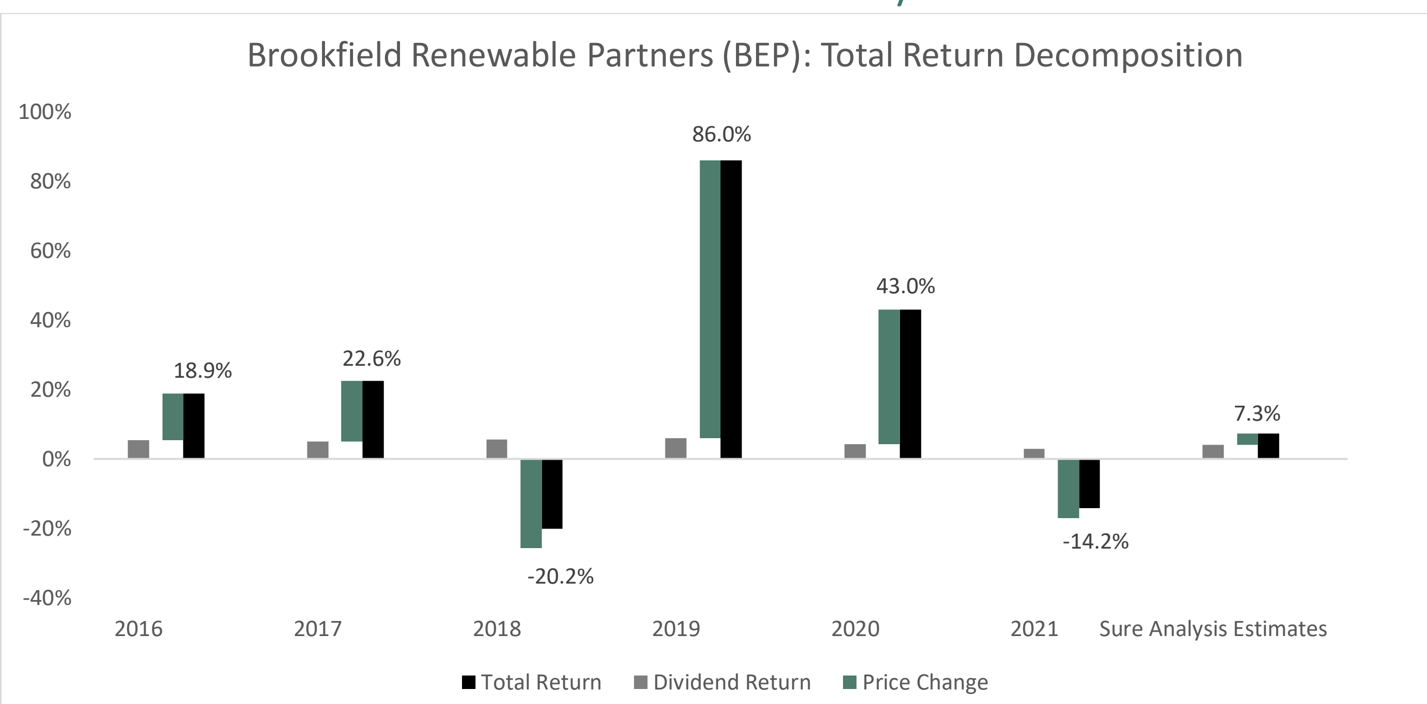
Brookfield Renewable Partners hardly covers its interest expense, as the latter currently consumes 104% of operating income. On the other hand, the company has no material debt maturities until 2025.

Moreover, the company benefits from Brookfield's various competitive advantages, which include a global operating presence, a long and successful track record of operating real assets, and a skilled management team. It is also critical to note that hydroelectric energy generates 69% of the total funds from operations of the company. Brookfield Renewable Partners has one of the largest hydroelectric businesses in the world, which has doubled in size in the last five years. Hydroelectric assets benefit from long useful lives (often over 100 years) and low operating and capital costs.

Final Thoughts & Recommendation

Brookfield Renewable Partners is one of the largest and most successful pure-play investment vehicles in the world of renewable energy. The stock has shed -31% in the last 12 months, primarily due to its rich valuation last year. As a result, it may now offer a 7.3% average annual return over the next five years thanks to 6.0% growth of earnings-per-share and its 3.8% dividend, which may be partly offset by a -2.1% annualized contraction of valuation level. The stock receives a hold rating.

Total Return Breakdown by Year



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[3] Using funds from operations.

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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	1,309	1,706	1,704	1,628	2,452	2,625	2,982	2,980	3,810	4,096
Gross Profit	823	1,176	1,180	1,076	1,414	1,647	1,946	1,968	2,536	2,731
Gross Margin	62.9%	68.9%	69.2%	66.1%	57.7%	62.7%	65.3%	66.0%	66.6%	66.7%
SG&A Exp.	36	41	51	48	62	82	80	108	235	288
D&A Exp.	483	535	548	616	781	782	819	798	1,367	1,501
Operating Profit	304	600	581	412	571	783	1,047	1,062	934	942
Operating Margin	23.2%	35.2%	34.1%	25.3%	23.3%	29.8%	35.1%	35.6%	24.5%	23.0%
Net Profit	(71)	137	114	4	(50)	(28)	80	(15)	(304)	(368)
Net Margin	-5.4%	8.0%	6.7%	0.2%	-2.0%	-1.1%	2.7%	-0.5%	-8.0%	-9.0%
Free Cash Flow	51	509	514	303	263	573	868	1,017	849	(1,233)
Income Tax	(40)	1	(11)	(60)	(53)	88	(59)	51	(147)	14

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	16,925	16,999	19,849	19,507	27,737	30,904	34,103	46,196	49,722	55,867
Cash & Equivalents	137	203	150	63	223	799	173	352	431	764
Acc. Receivable	106	105	91	98	262	360	339	580	614	2,301
Goodwill & Int.	128	74	23	23	910	914	839	1,190	1,202	966
Total Liabilities	9,117	9,463	10,968	10,744	15,065	16,622	16,897	25,716	27,955	31,871
Accounts Payable	23	31	29	43	87	117	76	152	127	4,127
Long-Term Debt	6,119	6,623	7,678	7,338	10,182	11,766	10,718	17,300	18,082	21,529
Total Equity	6,217	2,726	3,167	2,955	3,772	4,467	5,191	5,412	4,873	4,973

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	-0.2%	0.4%	0.3%	0.0%	-0.1%	0.0%	0.2%	-0.1%	-0.3%	-0.7%
Return on Equity	-0.6%	1.5%	2.0%	0.1%	-0.6%	-0.1%	1.3%	-0.8%	-2.5%	-7.5%
Shares Out.	-0.5%	0.7%	0.5%	0.0%	-0.1%	0.0%	0.3%	-0.2%	-0.4%	-1.0%
Revenue/Share	265.3	265.3	271.2	275.6	288.7	311.8	312.2	311.3	473.3	473.5
FCF/Share	6.57	8.56	7.92	7.58	9.80	9.70	17.33	17.60	12.63	14.89

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.