



# Brookfield Renewable Partners (BEP)

Updated November 14<sup>th</sup>, 2022 by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$30	<b>5 Year CAGR Estimate:</b>	9.3%	<b>Market Cap:</b>	\$14.4 B
<b>Fair Value Price:</b>	\$28	<b>5 Year Growth Estimate:</b>	7.0%	<b>Ex-Dividend Date:</b>	11/29/2022
<b>% Fair Value:</b>	107%	<b>5 Year Valuation Multiple Estimate:</b>	-1.3%	<b>Dividend Payment Date:</b>	12/30/2022
<b>Dividend Yield:</b>	4.3%	<b>5 Year Price Target</b>	\$39	<b>Years Of Dividend Growth:</b>	1
<b>Dividend Risk Score:</b>	F	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	Hold

## 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 23,000 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 Infrastructure Partners (BIP) and Brookfield Business Partners (BBU). Brookfield Renewable Partners trades with a market capitalization of US\$14.4 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 11<sup>th</sup>, 2020, Brookfield Renewable Partners implemented a 3-for-2 stock split.

In early November, BEP reported (11/4/22) financial results for the third quarter of fiscal 2022. Its funds from operations (FFO) per unit grew 15%, from \$0.33 to \$0.38, thanks to high power prices and acquisitions. Due to lower FFO than expected, we have lowered our annual forecast from \$1.80 to \$1.65. BEP is resilient to the highly inflationary environment prevailing right now, as approximately 70% of its contracts are indexed to inflation. BEP also has most of its costs fixed, with limited exposure to rising labor costs, and is resilient to rising interest rates, as it has no material debt maturities until 2027 and 97% of its debt is at fixed interest rates.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>FFOPS<sup>1</sup></b>	\$0.87	\$1.49	\$1.38	\$1.13	\$0.97	\$1.27	\$1.44	\$1.24	\$1.52	\$1.45	<b>\$1.65</b>	<b>\$2.31</b>
<b>DPS</b>	\$0.74	\$0.77	\$0.83	\$0.89	\$0.95	\$1.00	\$1.31	\$1.03	\$1.30	\$1.22	<b>\$1.28</b>	<b>\$1.63</b>
<b>Shares<sup>2</sup></b>	265.3	265.3	271.2	275.6	288.7	311.8	312.2	311.3	473.3	473.5	<b>474.0</b>	<b>500.0</b>

We expect BEP to keep growing its FFO meaningfully 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 (~65% of its current capacity) of new projects under construction and it is one of the largest publicly traded renewable power platforms. The objective of BEP 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 7% over the intermediate term.

## Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
<b>Avg. P/FFO</b>	11.7	14.9	15.5	20.5	18.4	14.1	14.6	21.9	27.5	<b>18.2</b>	<b>17.0</b>
<b>Avg. Yld.</b>	6.9%	5.8%	6.3%	6.0%	5.4%	6.4%	5.7%	3.9%	3.1%	<b>4.3%</b>	<b>4.2%</b>

<sup>1</sup> We use normalized funds from operations where applicable.

<sup>2</sup> In millions.

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Brookfield Renewable Partners is currently trading at a price-to-FFO ratio of 18.2. 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 over the next five years, it will incur a -1.3% 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 <sup>3</sup>	105%	64.7%	74.9%	98.2%	123%	98.4%	90.7%	84.1%	85.5%	84.1%	77.6%	70.6%

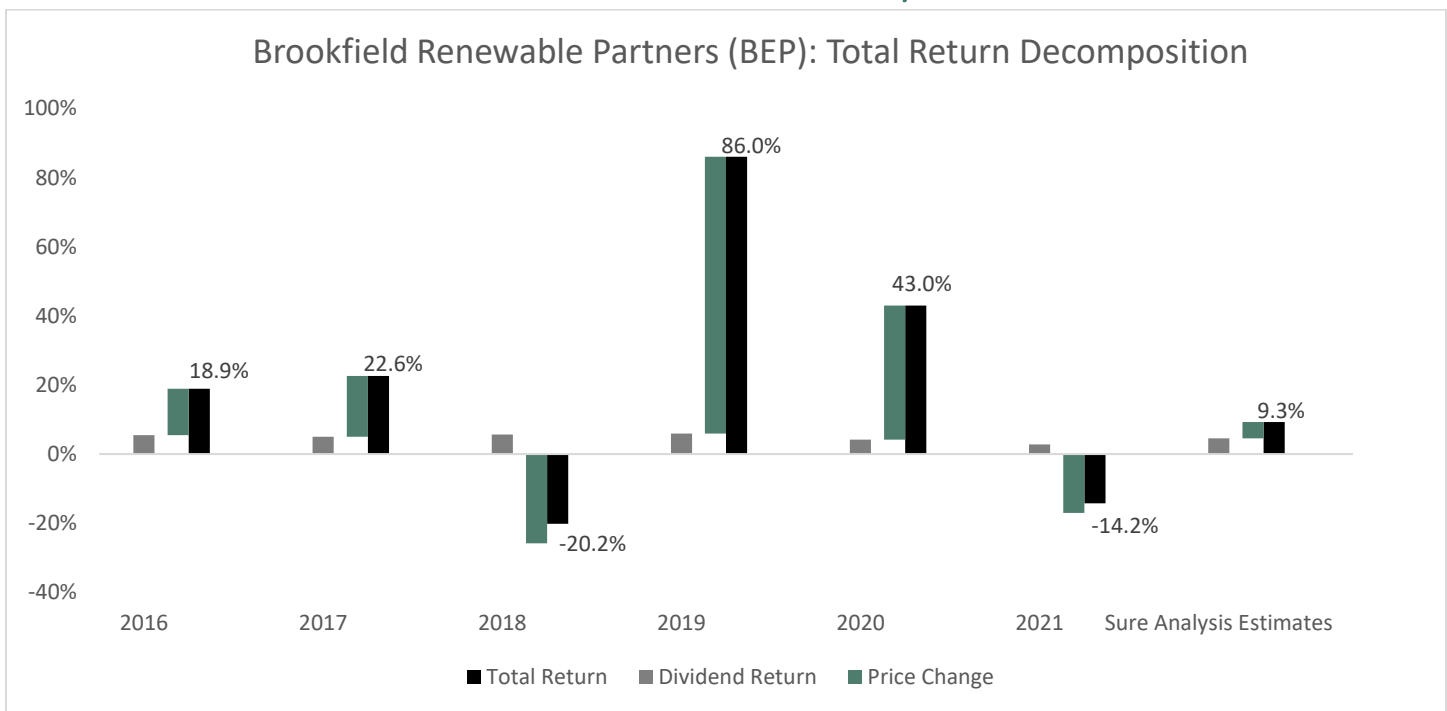
Brookfield Renewable Partners hardly covers its interest expense, as the latter currently consumes 74% of operating income. On the other hand, the company has no material debt maturities until 2027.

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 ~70% 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 incurred a -25% correction in three months, mostly due to temporary lackluster business performance, and thus it has become fairly attractive. It can offer a 9.3% average annual return over the next five years thanks to 7.0% growth of earnings-per-share and its 4.3% dividend, which may be partly offset by a -1.3% annualized contraction of valuation level. The stock receives a hold rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

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

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets</b>	16,925	16,999	19,849	19,507	27,737	30,904	34,103	46,196	49,722	55,867
<b>Cash &amp; Equivalents</b>	137	203	150	63	223	799	173	352	431	764
<b>Acc. Receivable</b>	106	105	91	98	262	360	339	580	614	2,301
<b>Goodwill &amp; Int.</b>	128	74	23	23	910	914	839	1,190	1,202	966
<b>Total Liabilities</b>	9,117	9,463	10,968	10,744	15,065	16,622	16,897	25,716	27,955	31,871
<b>Accounts Payable</b>	23	31	29	43	87	117	76	152	127	4,127
<b>Long-Term Debt</b>	6,119	6,623	7,678	7,338	10,182	11,766	10,718	17,300	18,082	21,529
<b>Total Equity</b>	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
<b>Return on Assets</b>	-0.2%	0.4%	0.3%	0.0%	-0.1%	0.0%	0.2%	-0.1%	-0.3%	-0.7%
<b>Return on Equity</b>	-0.6%	1.5%	2.0%	0.1%	-0.6%	-0.1%	1.3%	-0.8%	-2.5%	-7.5%
<b>Shares Out.</b>	-0.5%	0.7%	0.5%	0.0%	-0.1%	0.0%	0.3%	-0.2%	-0.4%	-1.0%
<b>Revenue/Share</b>	265.3	265.3	271.2	275.6	288.7	311.8	312.2	311.3	473.3	473.5
<b>FCF/Share</b>	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.

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