



Brookfield Renewable Partners (BEP)

Updated November 7th, 2023 by Aristofanis Papadatos

Key Metrics

Current Price:	\$23	5 Year CAGR Estimate:	15.7%	Market Cap:	\$11.2 B
Fair Value Price:	\$30	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	11/29/2023
% Fair Value:	77%	5 Year Valuation Multiple Estimate:	5.3%	Dividend Payment Date:	12/29/2023
Dividend Yield:	5.9%	5 Year Price Target	\$40	Years Of Dividend Growth:	2
Dividend Risk Score:	F	Retirement Suitability Score:	D	Rating:	Buy

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 31,500 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\$11.2 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 November, BEP reported (11/3/23) financial results for the third quarter of fiscal 2023. Its funds from operations (FFO) per unit remained flat at \$0.38, as the positive effects of strong hydro generation, high power prices and acquisitions were offset by increased interest expense. BEP is resilient to high inflation, as about 70% of its contracts are indexed to inflation. BEP also has most of its costs fixed and is somewhat resilient to rising interest rates, as it has no material debt maturities until 2027 and 97% of its debt is at fixed interest rates. Nevertheless, due to hefty investments, which result in increased debt and interest expense, we have lowered our annual FFO forecast from \$1.80 to \$1.75.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
FFOPS¹	\$1.49	\$1.38	\$1.13	\$0.97	\$1.27	\$1.44	\$1.24	\$1.52	\$1.45	\$1.56	\$1.75	\$2.34
DPS	\$0.77	\$0.83	\$0.89	\$0.95	\$1.00	\$1.31	\$1.03	\$1.30	\$1.22	\$1.28	\$1.35	\$1.72
Shares²	265.3	271.2	275.6	288.7	311.8	312.2	311.3	473.3	473.5	473.8	474.0	500.0

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 invested a record \$2.8 billion in all major decarbonization assets in 2022 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 6% over the intermediate term.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/FFO	11.7	14.9	15.5	20.5	18.4	14.1	14.6	21.9	27.5	22.0	13.1	17.0
Avg. Yld.	6.9%	5.8%	6.3%	6.0%	5.4%	6.4%	5.7%	3.9%	3.1%	3.7%	5.9%	4.3%

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 13.1. 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 enjoy a 5.3% annualized gain in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout³	64.7%	74.9%	98.2%	123%	98.4%	90.7%	84.1%	85.5%	84.1%	82.1%	77.1%	73.6%

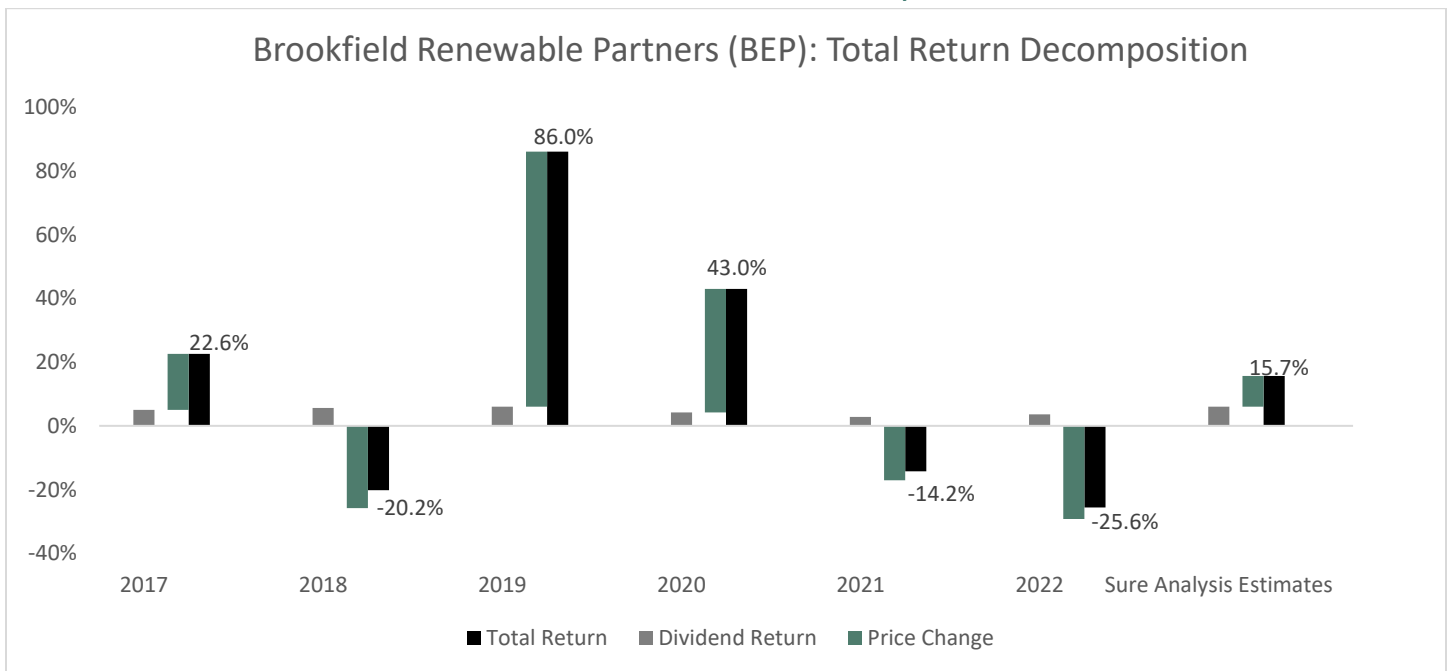
Brookfield Renewable Partners hardly covers its interest expense, as the latter currently exceeds operating income by 18%. On the other hand, the company has no material debt maturities until 2027.

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 nearly half of the total funds from operations of the company. BEP has one of the largest hydroelectric businesses in the world, which has more than doubled in size in the last six 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 -42% in the last 15 months, mostly due to the surge of interest rates to multi-year highs. High interest rates increase the interest expense and reduce the present value of future earnings, thus exerting pressure on valuation. We view this headwind as temporary and consider the stock highly attractive from a long-term perspective. The stock can offer a 15.7% average annual return over the next five years thanks to 6.0% growth of earnings-per-share, its 5.9% dividend and a 5.3% valuation tailwind. It thus maintains its buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	1,706	1,704	1,628	2,452	2,625	2,982	2,980	3,810	4,096	4,711
Gross Profit	1,176	1,180	1,076	1,414	1,647	1,946	1,968	2,536	2,731	3,277
Gross Margin	68.9%	69.2%	66.1%	57.7%	62.7%	65.3%	66.0%	66.6%	66.7%	69.6%
SG&A Exp.	41	51	48	62	82	80	108	235	288	243
D&A Exp.	535	548	616	781	782	819	798	1,367	1,501	1,583
Operating Profit	600	581	412	571	783	1,047	1,062	934	942	1,451
Operating Margin	35.2%	34.1%	25.3%	23.3%	29.8%	35.1%	35.6%	24.5%	23.0%	30.8%
Net Profit	137	114	4	(50)	(28)	80	(15)	(304)	(368)	(295)
Net Margin	8.0%	6.7%	0.2%	-2.0%	-1.1%	2.7%	-0.5%	-8.0%	-9.0%	-6.3%
Free Cash Flow	509	514	303	263	573	868	1,017	849	(1,233)	(478)
Income Tax	1	(11)	(60)	(53)	88	(59)	51	(147)	14	(2)

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	16,999	19,849	19,507	27,737	30,904	34,103	46,196	49,722	55,867	64,085
Cash & Equivalents	203	150	63	223	799	173	352	431	764	998
Acc. Receivable	105	91	98	262	360	339	580	614	2,301	3,747
Goodwill & Int.	74	23	23	910	914	839	1,190	1,202	966	3,665
Total Liabilities	9,463	10,968	10,744	15,065	16,622	16,897	25,716	27,955	31,871	37,799
Accounts Payable	31	29	43	87	117	76	152	127	4,127	6,120
Long-Term Debt	6,623	7,678	7,338	10,182	11,766	10,718	17,300	18,082	21,529	25,172
Total Equity	2,726	3,167	2,955	3,772	4,467	5,191	5,412	4,873	4,973	4,856

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	0.4%	0.3%	0.0%	-0.1%	0.0%	0.2%	-0.1%	-0.3%	-0.7%	-0.5%
Return on Equity	1.5%	2.0%	0.1%	-0.6%	-0.1%	1.3%	-0.8%	-2.5%	-7.5%	-6.0%
Shares Out.	0.7%	0.5%	0.0%	-0.1%	0.0%	0.3%	-0.2%	302	277	275
Revenue/Share	265.3	271.2	275.6	288.7	311.8	312.2	311.3	12.63	14.80	17.11
FCF/Share	8.56	7.92	7.58	9.80	9.70	17.33	17.60	2.81	-4.45	-1.74

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

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