Stock Musings from TheFranklyFour.com

Renewable energy edition (sent 4/22/21)

Renewable energy stocks have thrived in the past few years despite a challenging political environment. Why? Because nearly every company in the world concedes that renewables are the future of power generation and transportation, including big oil companies like BP and car companies like GM. Eventually, good ideas win. The price of many renewable energy and electric vehicle stocks have grown quickly based on the growing acceptance of renewable energy. Many however have never produced a single car or bit of profit. Some never will and it is hard to separate the wheat from the chaff without detailed analyses. An easier way to invest in the renewable energy sector, which will gain support from the current administration, is through yield-generating renewable power producers.

Renewable energy producers own infrastructure like wind turbines, solar farms, hydroelectric dams, and often natural gas facilities as well. They generally sell electricity for distribution to commercial and industrial customers and consumers just like traditional power companies, except without burning coal or oil. All this infrastructure requires large capital investments but, once built, they generate electricity and cash for decades. Electricity consumption is growing and electricity costs are generally regulated so competition within a given region is minimal. All this means energy companies have predictable and growing cash flow they can distribute to shareholders as dividends.

NextEra Energy (NEE) is the largest utility company in the world and largest renewable energy producer. Their operations are primarily in North America and Canada. They own wind, solar, nuclear, natural gas, and battery energy storage facilities with some pipelines and other assets mixed in. (See the map here.) NextEra Energy along with its many subsidiaries have the capital to build and buy new facilities to sustain their growth and revenue. This should mean steady stock appreciation and reliable dividends. If dividends are your primary interest consider NextEra Energy Partners (NEP) which is owned by NextEra Energy to serve as a YieldCo. A YieldCo is a company formed by utilities to own and operate -as opposed to building and developing- energy generating facilities. YieldCos operate with high cash flows and low risk since they are just selling power from existing assets. This means high yields. Notice the yield from NextEra Energy Partners is 66% more than NEE but the stock appreciation is slightly lower. This is the trade-off of growth vs. income but NEE offers a good bit of both.

Brookfield Renewable Partners (BEP, BEPC) is a Canadian company with power generating assets in North America, South America, Europe, and Asia. Two thirds of their power generation comes from hydroelectric with the rest from solar, wind, and energy storage facilities. Brookfield Renewable is a subsidiary of the larger Brookfield Asset Management (BAM) which has subsidiaries in real estate, infrastructure, and others. Brookfield Renewable has the highest revenue growth recently. It has paid dividends since 2013 and has the goal of increasing their dividend yield by 5-9% each year. They pay out 70% of their cash from operations leaving plenty to fund new investments and growth plus they have the backing of the parent company which is 10 times larger. The stock has beaten the S&P over 10 years and has twice the yield. It is important to know that Brookfield Renewable offers two different share types. BEP are shares of Brookfield Renewable Partners L.P., a Limited Partnership which can be more complicated at tax time because distributions are reported on form K-1 (more here). BEPC are shares of Brookfield Renewable Partners Corp. and pays regular dividends reported on a 1099.

Atlantica Sustainable Infrastructure offers exposure to global sustainable infrastructure assets including solar, wind and hydroelectric like the other companies but also desalinization plants and transmission lines. It has the highest yield but lower growth than the others but has still beaten the S&P 500.

Company (Ticker) Market Cap	52-Week stock price range	Dividend per share (%yield)	Revenue growth (TTM)	3 yr return	5 yr return	10 yr return
Nextera Energy (NEE) 155.6B	55.66 - 87.69	1.54 (2.0%)	-6%	93%	164%	435%
Nextera Energy Partners (NEP) 5.5B	42.95 - 88.30	$2.46 (3.33%)	7%	74%	155%	NA
Brookfield Renewable Partners (BEP*, BEPC) 11B	23.17 - 49.87	$1.22 (3.04%)	27%	151%	161%	214%
Atlantica Sustainable Infrastructure (AY) 4.3B	22.42 - 48.49	$1.68 (4.52%)	0.18%	86%	108%	NA
Vanguard S&P 500 Index Fund ETF (VOO)	250.00 - 384.15	5.30 (1.42%)	--	55%	101%	207%

*BEPC are shares of Brookfield Renewable Partners Corp., the corporate equivalent of BEP which is a Limited Partnership. Statistics are for BEP. Data as of 4/21/21.

NextEra Energy, NextEra Energy Partners, Brookfield Renewable Partners, and Atlantica Sustainable Infrastructure are among the leaders in renewable energy. All are solid companies with growing energy production assets. They vary in the regions they serve, types of production, and size. Investors can select companies focused on growth or yield to suit their investing strategies or hedge your bets with a little of each.