



Exeter Student Investment Fund

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Brookfield Renewable Partners [BEP]

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Recommendation



- Company
 - Brookfield Renewable Energy Partners
 - BEP
- Reasons to Buy:
 - Stable revenue due to Power Production Agreements (PPAs)
 - Established within the Renewable Energy Sector
 - Strong financials, with excellent predicted future revenues and cash flows
 - Diverse range of renewable technologies
 - Wide global reach
- Catalysts:
 - Global transition to renewable energy
 - Current development pipeline with large expansion plans
- Risks:
 - 66% of BEP's Energy generation is derived from Hydroelectric power, risk of drought would decrease power output and cause a reduction in revenues
 - A number of BEP's PPAs are subject to terms of renegotiation

Company Overview - History



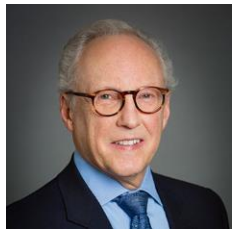
- Information about the company:
 - Founded in 2011 when Brookfield Renewable Power Inc. and the Brookfield Renewable Power Fund merged and combined their assets under the new name Brookfield Renewable Energy Partners
 - Acquired TerraForm Global and TerraForm Power in 2017
- Aims
 - Provide affordable renewable energy
 - Acquire new assets to grow the business
- Strategy
 - One of the worlds largest renewable energy companies
 - Partner with governments to achieve decarbonisation goals
- Historical Stock Performance
 - Current: US \$42.28 (W/C 1/3/21)
 - 52 Week High: US \$49.87
 - Market Cap: US \$12.7bn



Company Overview - Management



- Connor Teskey (CEO)
 - Appointed October 2020
 - Head of Europe for Brookfield Asset Management
 - Former Chief Investment Officer for Brookfield Renewable Partners



- Jeffrey Blidner (Chair)
 - Appointed November 2011
 - CEO of Brookfield's Private Funds
 - Director of Brookfield Asset Management, Brookfield Property Partners and Brookfield Infrastructure Partners

Brookfield

- Largest Shareholders



- Brookfield Asset Management (25% total shares outstanding)
- Fidelity International (4.5% total shares outstanding)



- Royal Bank of Canada (2.6% total shares outstanding)

Company Overview – Business Model

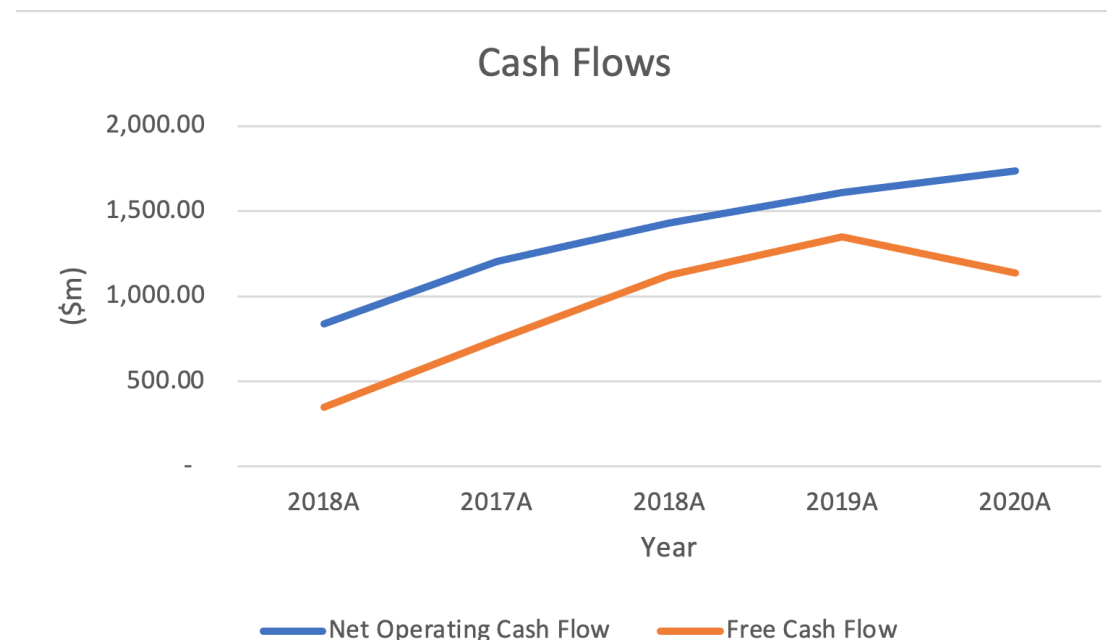


Business model

- Acquire renewable power assets and use long term, low risk, investment grade finance to optimise cash flows
- Apply operational expertise to acquired assets to enhance value
- Make long term, fixed price contracts to sell electricity primarily to public power authorities, to ensure stable and predictable cash flows

Geography

- Presence Across 4 Continents: North America, South America, Europe and Asia

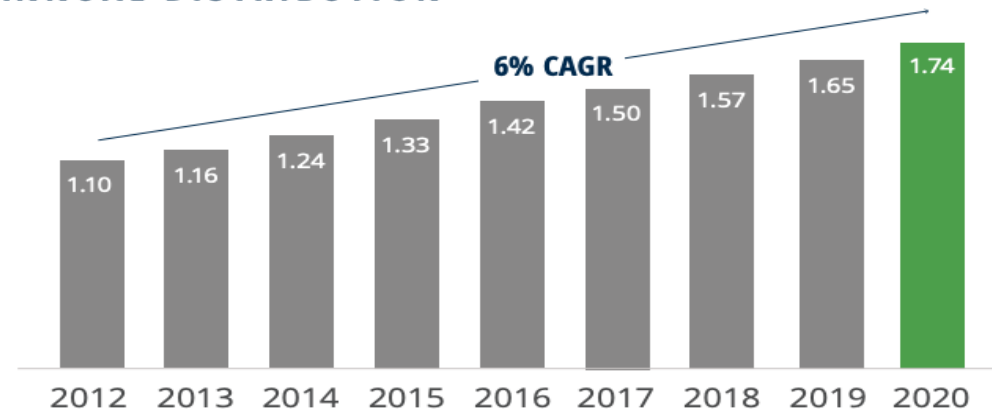


Company Overview – Differentiators



- Highest Balance Sheet Rating in the sector
 - BBB+ (Investment Grade). Low risk of default on debt is attractive to lenders allowing Brookfield to borrow in order to finance expansion
- Global presence:
 - Brookfield's assets are divided across 4 continents diluting possible risk presented by adverse weather events
- Ambitious pipeline of development projects to help power its growth.
 - At the end of 2020, it had 23 gigawatts (GW) of projects in various stages of development, which is more than its current 19.4 GW operating portfolio.
- Existing PPA contracts contain “inflation escalators”
 - This allows for a 1-2% annual increase in revenues and maintenance of real net incomes

ANNUAL DISTRIBUTION



Global Operations with Local Presence



Company Overview – Competitors



- Strong barriers to entry
 - High capital costs to build and install renewable energy generation equipment
 - Existing infrastructure may not support renewable energy sources
 - To situate renewable power equipment requires permits, contracts and good community relations
 - Renewable energy must have the resources to compete with larger, more established market players in the non renewable industry
 - Start-ups and new energy technologies must compete with established renewable players
- Market Share
 - Responsible for 7.54% of US renewable energy production
 - 6th Largest global renewable energy provider

Company Overview – Regulatory Backdrop



- Competition and Market Authority: market share does not exceed regulation domestically or internationally



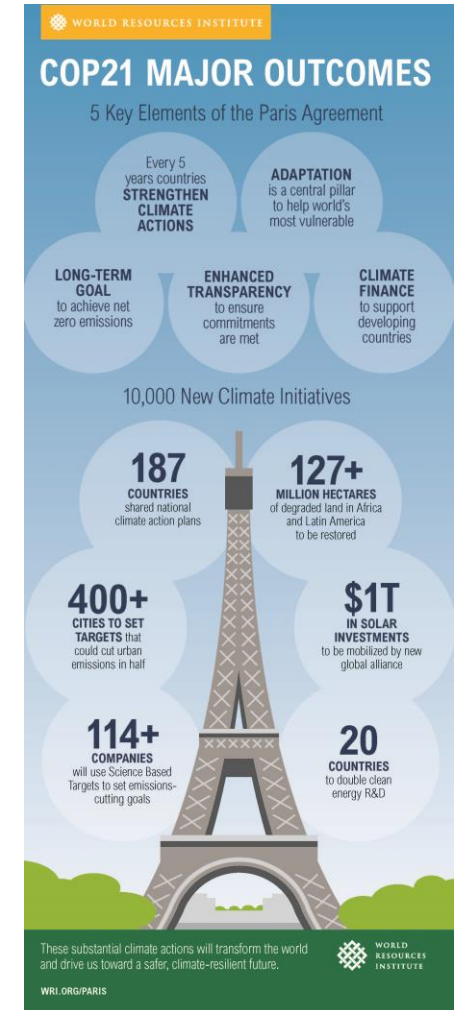
- US President has put the US back into the Paris Climate Agreement, indicating the US will become more environmentally conscious in coming years



- EU Nature Legislation regulations may place restrictions on the expansion of renewable energy



- UK has set a target 32% of its energy to come from renewable sources by 2030
- Slow, costly upgrades to any national grid infrastructure may slow the expansion of BEP





1. Forecasted Large Scale Growth of the Renewable Energy Market Sector

- International Energy Agency (IEA) forecasts 50% growth rate of sector by 2024
- Shift in global attitudes towards favoring sustainable and green investment
- Technology development leading more competitively priced renewable energy

2. BEP positioned well to take advantage of renewable energy sector growth

- Large Development pipeline meaning the company is poised to take advantage of increased future demand
- Diversified portfolio of power generation assets; if one source is preferred over another, they have all bases covered

3. A Business model that can withstand the aftereffects of the pandemic/recession

- Large stable cash flows and deep capital reserves to endure a possible slowdown
- Majority of revenue comes from PPA's thus revenues will remain stable through a downturn
- BBB+ rated balance sheet facilitating ease of extra debt if required

4. BEP currently underpriced in the market

- Negative return in the latest financial year (2020) deterring investment, despite this being due to the company undertaking a large acquisition of the solar division of utility company Exelon

Valuation - Overview



- Free Cash Flow
 - \$870 million of cash flow in 2020
 - Diverse, high quality cash flows
 - Proven growth strategy on cash flows

- Revenue
 - Year on year growth
 - \$3,810 million in 2020, 27.9% growth on previous year

- Net Debt
 - Large amount of debt due to high capital expenditure
 - \$1.2 billion of capital recycling in the last 2 years

- Assets
 - \$52 billion worth of power assets across 4 continents and 30+ countries

First Year of Projections	2021				
Company Ticker Symbol	BEP				
Personal Required Rate of Return	5.1%				
Shares Outstanding	275	best from recent company filing			
Perpetual Growth Rate	2.50%	generally somewhere between 2% - 3%			
Market Cap	\$127				
Cash Flow Statement Data					
	2017	2018	2019	2020	
Total Cash Flow From Operating Activities	928	1,103	\$1,212	\$1,296	
Capital Expenditures	-328	-624	-\$251	-\$426	enter negative numbers
Free Cash Flow	\$600	\$479	\$961	\$870	
Income Statement Data					
	2017	2018	2019	2020	
Revenue	2,625	2,982	2,980	3,810	
Interest Expense	632	705	682	976	
Income Before Tax	139	344	324	-192	
Income Tax Expense	88	-59	51	-147	
Net Income	-4	62	10	-304	
Net Profit Margins	-0.15%	2.08%	0.34%	-7.98%	
FCF to Profit Margins (%)	-15000.00%	772.58%	9610.00%	-286.18%	
Balance Sheet Data					
	2017	2018	2019	2020	Most Recent Balance Sheet
Short/Current Long Term Debt	1,676	495	685	2,135	2,135
Long Term Debt	10,090	10,223	10,319	15,947	15,947
Cash & Equivalents & Short Term Invest					431
Net Borrowings					17,651

Valuation – Bull Case



Free Cash Flow Projections	
How Many Years to Forecast?	4
Do You Have Any Projections You Want to Use?	Yes
How Many Years Do You Have? (Whole # between 0 - 10)	4
How do we want to project FCF - start with Revenue, Net Income or FCF?	Free Cash Flow

	Full Free Cash Flow Numbers	Year	Growth Rate (%)
2021 Free Cash Flow Number	922	1	6.00%
2022 Free Cash Flow Number	978	2	6.00%
2023 Free Cash Flow Number	1,036	3	6.00%
2024 Free Cash Flow Number	1,098	4	6.00%

Terminal Growth Rate (%) from Step 1

Discounted Free Cash Flow Valuation		1	2	3	4	4	4	4	4	4	4	4	Terminal Value
		2019A	2020A	2021E	2022E	2023E	2024E						
Free Cash Flow		\$961	\$870	\$922	\$978	\$1,036	\$1,098						43,301
Discount Factor				1.05	1.10	1.16	1.22						1.22
PV of Future Cash Flow				\$877	\$885	\$893	\$900						\$35,488
Required Return	5.10%												
Perpetual Growth	2.50%												
Today's Company Value	\$39,043	21,392	Today's Equity Value (after debt)										
Shares Out	275	275											
Fair Value of Company	\$142	\$78	Fair Value of Equity										

Valuation – Bear Case



Free Cash Flow Projections	
How Many Years to Forecast?	4
Do You Have Any Projections You Want to Use?	Yes
How Many Years Do You Have? (Whole # between 0 - 10)	4
How do we want to project FCF - start with Revenue, Net Income or FCF?	Free Cash Flow

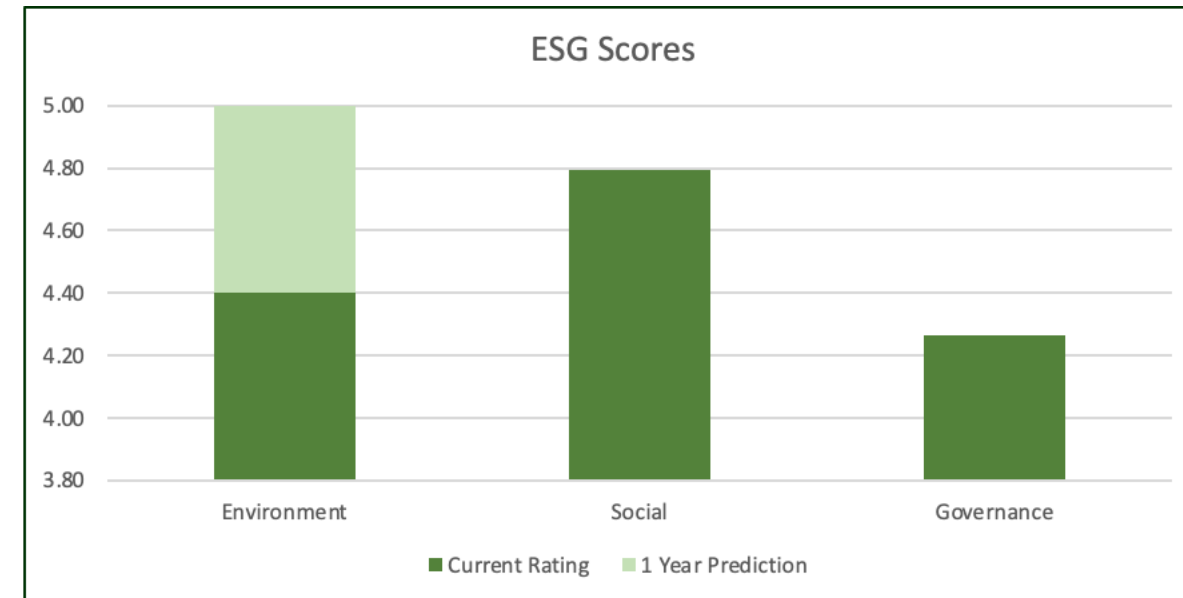
	Full Free Cash Flow Numbers	Year	Growth Rate (%)
2021 Free Cash Flow Number	896	1	3.00%
2022 Free Cash Flow Number	923	2	3.00%
2023 Free Cash Flow Number	952	3	3.00%
2024 Free Cash Flow Number	980	4	3.00%

Terminal Growth Rate (%) from Step 1

Discounted Free Cash Flow Valuation	2019A	2020A	1	2	3	4	4	4	4	4	4	4	4	Terminal Value
	2019A	2020A	2021E	2022E	2023E	2024E								
Free Cash Flow	\$961	\$870	\$896	\$923	\$952	\$980								38,644
Discount Factor			1.05	1.10	1.16	1.22								1.22
PV of Future Cash Flow			\$853	\$836	\$820	\$803								\$31,672
Required Return	5.10%													
Perpetual Growth	2.50%													
Today's Company Value	\$34,983	17,332	Today's Equity Value (after debt)											
Shares Out	275	275												
Fair Value of Company	\$127	\$63	Fair Value of Equity											



- Very socially and environmentally responsible company
 - Strongly support and encourage employee unionization
 - Invested in grid infrastructure in Brazil to enable Renewable energy sources to be introduced to rural areas
 - 20% reduction in emissions year on year for the last 5 years
 - Hydroelectric plants have Low Impact Hydropower Institute certifications
- Governance needs improvement
 - Only 23% of staff members being female, despite a 50% female board of directors
 - No official figures on diversity but only one board member is BAME





Q&A