

# Brookfield Renewable Corp. (NYSE: \$BEPC)

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*Dear Benzinga Member,*

Over the years, I have come to appreciate the importance of a well-diversified portfolio that can weather economic uncertainty.

Brookfield Renewable, a company that holds a global portfolio of clean energy technology assets, appears to embody this principle.

We already won several shareholder-friendly fossil fuel companies so adding a company in the renewable energy business just makes sense.

The company's management team has set a target of 12% %- 15% returns, which they aim to achieve through a combination of organic growth and acquisitions.

What caught my attention is its contrarian approach to acquisitions, a strategy that aligns with my own investment philosophy of seeking out undervalued assets.

Brookfield Renewable's position as one of the world's largest publicly traded platforms for renewable power and decarbonization solutions is a testament to the company's scale and diversification.

The company's portfolio, which spans hydroelectric, wind, solar, distributed energy, and sustainable solutions across five continents, provides investors with exposure to a wide range of renewable energy assets and markets.

This diversification is particularly valuable in the renewable energy sector, where risks such as resource variability, regulatory changes, and technological advancements can have significant impacts on individual assets or markets.

By spreading its investments across multiple geographies and technologies, Brookfield Renewable can mitigate these risks and potentially capitalize on opportunities in different regions and segments of the renewable energy market.

Moreover, the company's scale allows it to pursue larger investment opportunities and potentially achieve economies of scale in its operations.

This can lead to improved efficiency, lower costs, and better returns for investors.

Brookfield Renewable's portfolio has undergone a significant shift in recent years.

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***While hydropower once dominated its holdings, accounting for 80%- 85% of the company's assets five years ago, it now represents only 50%.***

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This change is due to the company's increased focus on wind and solar energy, with solar expected to become the largest energy source in the long term.

This adaptability is a testament to the company's ability to recognize and capitalize on emerging trends in the energy sector.

In 2022, Brookfield Renewable expanded its investment scope to include broader energy transition asset classes, such as carbon capture, fossil fuel, and nuclear power generation.

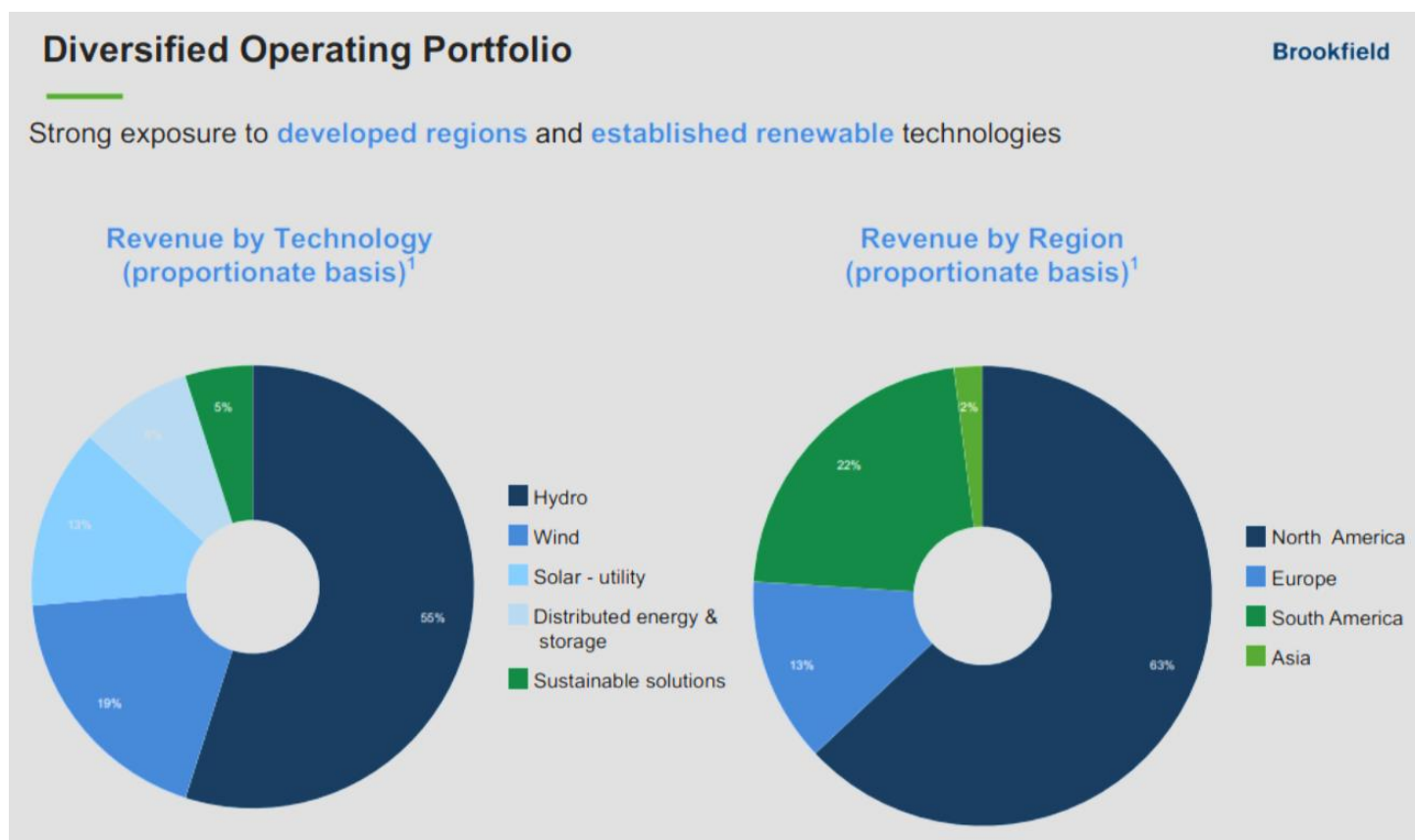


Source: **Benzinga Pro**

While these areas may seem unconventional, they demonstrate the company's willingness to explore new opportunities in the ever-evolving energy landscape.

Geographically, Brookfield Renewable has historically focused on North America and Latin America but has recently expanded into Europe and Asia.

The company's management has communicated its intention to allocate roughly 75% of its portfolio to developed markets and 25% to developing markets over the long term, a strategy aimed at managing foreign exchange risks.



Source: **Company Presentation**

This approach showcases its understanding of the importance of balancing growth potential with risk management.

Brookfield Renewable primarily invests alongside Brookfield Asset Management's private equity funds, leveraging increased scale to pursue larger opportunities.

This partnership results in frequent acquisitions and disposals, with management seeking to add value through aggressive cost and revenue optimization.

The company's recent addition of development capabilities further demonstrates its commitment to growth and adaptability.

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***Brookfield's renewable legacy is rooted in its hard-to-replicate hydro assets, which account for approximately 50% of its 2022 cash flow.***

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Hydropower plants possess attractive moat characteristics, including long useful lives of around 100 years, relatively low operating costs, and dispatch capabilities in the case of pumped hydro.

Moreover, the construction of new hydro assets is extremely challenging due to the required regulatory approvals and locational constraints, supporting an efficient scale moat source.

This is particularly true for Brookfield's North American hydro portfolio, which represents most of its hydro capacity and is concentrated in the Northeast United States.

However, it is important to note that hydro's favorable characteristics are partially offset by greater year-to-year resource variability compared to wind or solar.

Brookfield Renewable's strong balance sheet, as evidenced by its investment-grade corporate credit rating, is a positive sign for potential investors.

The fact that much of its outstanding debt is project-level and nonrecourse to the parent company provides an additional layer of financial security.

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***The company's available liquidity of \$4.5 billion as of mid-2023 further underscores its financial stability.***

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Brookfield Renewable's observations regarding the increasing demand for decarbonization and the shift towards a corporate-driven transition highlight a significant opportunity in the renewable energy sector.

As more companies seek to reduce their carbon footprint and meet sustainability goals, the demand for green power and other decarbonization products is outpacing the supply of new projects.

To capitalize on this growing demand, Brookfield Renewable has recognized the importance of not only having the necessary capabilities but also the capital to build out projects and the assets to meet the needs of corporate counterparties.

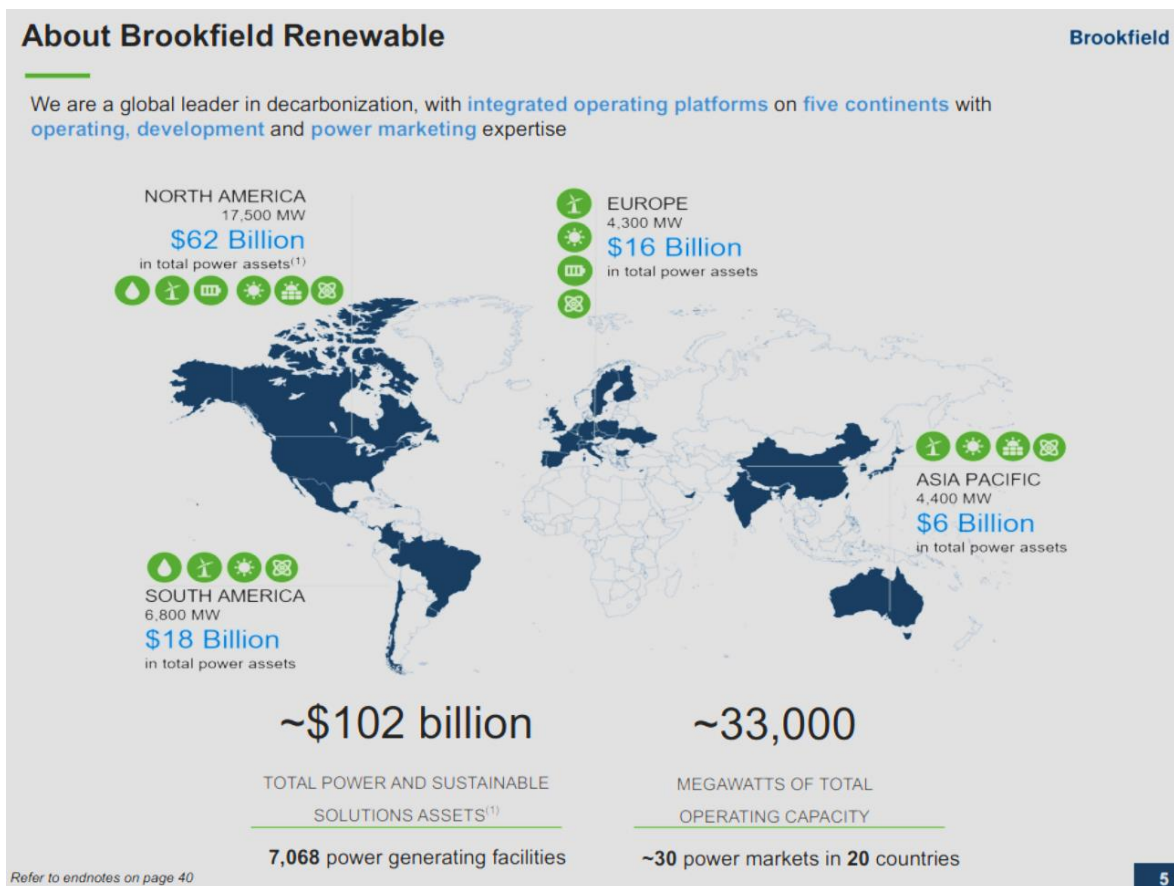
The company's proactive approach to investing in best-in-class development capabilities and acquiring leading businesses in core markets around the world has positioned it to capture this demand effectively.

This strategy has created a virtuous cycle for Brookfield Renewable.

By having global and scale capabilities to service the largest clients, the company is increasingly capturing more demand, driving its growth, and allowing it to invest in more pipeline projects.

This, in turn, positions Brookfield Renewable as the partner of choice for corporates seeking new green power generation.

This value proposition is difficult for competitors to replicate, providing the company with a significant competitive advantage.



Source: Company Presentation

Furthermore, Brookfield Renewable's operations-oriented approach to creating value is a critical aspect of its investment strategy.

By leveraging its thousands of in-house operating professionals in the due diligence process, the company ensures that it makes the most informed investment decisions.

Once an asset is acquired, these operating professionals drive the business plans, enhancing and de-risking the cash flows of the underlying portfolio companies.

One of the most compelling aspects of Brookfield Renewable is its exceptional investment track record.

The company's structure, which involves investing alongside Brookfield private equity funds, results in frequent acquisitions and disposals.

This approach places a significant emphasis on prudent capital allocation, a skill that we consider to be one of Brookfield Renewable's core competencies.

The company's largely contrarian strategy, which involves purchasing assets at depressed prices and adding value through cost and revenue optimization, has proven to be effective.

Moreover, Brookfield's recent expansion into energy transition investments is a favorable move, given the significant amount of capital being directed toward renewable energy assets.

Best Regards,

**Tim Melvin**

Editor – The Yield Report, Benzinga Research

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<https://bep.brookfield.com/sites/bep-brookfield-ir/files/Brookfield-BEP-IR-V2/2023/Q4/BEP-Q4-2023-Supplemental-AC.pdf>

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