

4 Reasons This 4.7% Dividend Could Continue to Surge in 2015

Description

A few weeks ago **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) boosted its distribution to investors by 10%. That increase is actually better than the company projected as it is targeting a long-term distribution growth rate of 5%-9% per year. That said, the company does have a history of outperforming its targets as the payout has actually grown by an average of 13% per year since 2009.

Looking ahead to 2015 the company has never been more excited about the growth opportunities ahead of it. It sees four opportunities for what it calls “step change growth” that could result in the company’s distribution surging this year if it’s able to capture any one of these opportunities.

Ready to shop

Last year Brookfield Infrastructure Partners spent \$1.2 billion to grow. Half of that money was invested in organic growth projects and the other half on acquisitions. The company could spend at least that much on growth in the year ahead as it already has a \$500 million acquisition in the pipeline, which alone would meet the low end of its \$500 million to \$1 billion annual investment target. However, given the new opportunities it sees on the horizon the company should easily exceed that target, which would give it the incremental cash flow it needs to again deliver another double digit distribution increase this year.

The four step change opportunities Brookfield sees are government privatizations, Brazilian construction companies, corporate deleveraging and carve-outs, and maturing infrastructure funds. Each opportunity could lead to a major acquisition for Brookfield.

A look at what’s on sale

Brookfield noted that in Australia, government privatization could lead to \$50 billion in infrastructure assets being put up for sale over the next two to three years. However, it’s particularly interested in what it sees over the next few months as it expects two high quality, large scale transmission and port assets being put up for sale. Given its expertise both in Australia and in operating these types of assets it’s going to take a close look at bidding on these assets.

Brookfield is also keeping an eye on asset sales in Brazil, particularly from construction companies that are a bit short on cash. It thinks these builders might sell non-core infrastructure assets that they own in order to pay down debt. Meanwhile, it’s also keeping an eye on mining companies and utilities for the same reason. These companies might sell non-core infrastructure assets like port access, processing facilities, or utility assets to pay down debt.

Finally, the company is also going to be on the lookout for infrastructure assets that are being sold by private equity funds. Because these funds mature, the assets within the funds need to be divested so cash can be returned to investors. It’s keeping its eyes on a number of funds from 2005-2008 that are

now maturing as it would love to buy what these shorter term investors are selling.

Investor takeaway

Infrastructure assets like ports, pipelines, and power lines might be boring, but these investments do provide steady cash flow that Brookfield uses to pay a generous distribution. It sees a big opportunity to buy a lot more of these assets over the next year due to four specific opportunities that are right in its wheelhouse. If it's successful, it would mean that the company's generous dividend could head a whole lot higher in the year ahead.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
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