



Why I Just Bought This 4.7% High-Yield Dividend Stock

Description

Infrastructure is the backbone of the modern economy. Without power lines, pipelines, and ports our modern economy simply wouldn't be able to function as these assets are critical pieces of our economic infrastructure. These critical infrastructure assets are also what makes up the backbone of **Brookfield Infrastructure Partners L.P.'s** ([TSX:BIP.UN](#))([NYSE:BIP](#)) portfolio. Brookfield uses an unrivaled infrastructure portfolio to generate substantial income for its investors. It's that income that I'm after, which is why I recently added the company to my own portfolio.

A global portfolio

Brookfield's portfolio is split up into four segments: Utilities, Transport, Energy, and Communications Infrastructure. Within these segments it owns 10,800 km of electricity transmission lines, 3,200 km of toll roads, 9,100 km of rail operations, 30 ports, a large natural gas pipeline system, and 7,000 multi-purpose communication towers. These assets are spread around the world, with concentrations in North and South America, Europe, and Australia.

The beauty of these infrastructure assets is the fact that they provide primarily regulated or contracted cash flow. In fact, 90% of the company's cash flow is locked in. Moreover, 70% of the cash flow is indexed to inflation and 60% comes with no volume risk. This translates into very stable cash flow, with about 70% of that cash flow being returned to investors each quarter via its very generous 4.7% distribution. It's a distribution that the company plans to grow 5-9% per year for the next several years.

Lots of ways to grow

Brookfield drives its growth through a combination of organic projects as well as acquisitions. Organically, the company is currently in the process of investing US\$1.3 billion in projects over the next two to three years in its Utility and Transport segments, which will grow its utility rate base and expand the capacity of its ports, toll roads, and rail assets. These organic growth projects, combined with inflationary price increases in its regulated assets and long-term contracts as well as volume upside from GDP growth, are expected to drive 6-9% annual growth in the company's cash flow.

In addition to that, Brookfield sees enormous potential for acquisitions to accelerate its growth over 12-

15% annually. The company recently raised debt and equity, so it now has about \$3 billion in corporate liquidity to pursue deals. It already has about \$450 million of new acquisitions in progress as it made offers to increase its stake in its Brazilian toll road subsidiary as well as buy a stake in a Brazilian infrastructure company that owns a large toll road, an airport, and an urban mobility company. Beyond that the company has seven total transactions that are in advanced stages that could be completed this year, with about \$2 billion of potential investments in Brazil alone. Suffice it to say, it has a lot of growth in the pipeline.

Investor takeaway

Brookfield Infrastructure Partners pays a very generous current distribution that is expected to grow steadily over the next few years. Historically, the company has consistently outperformed its single-digit distribution growth target, and given what it has in the pipeline, it is likely to exceed the target again for at least the next two years. This strong income growth is really compelling, which is why I just added this high-yield stock to my own portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Investing

Date

2025/08/24

Date Created

2015/05/18

Author

mdilallo

default watermark