



## The Only Utility You Need Is Brookfield Infrastructure Partners L.P.

### Description

Investors usually buy utilities for its stable and high income, but with **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)), you not only get income, but growth as well. The cash flow it generates is high quality and stable because about 90% of it comes from regulated or contracted businesses with roughly 70% indexed to inflation.

### Business overview

Brookfield Infrastructure owns and operates high-quality, long-life assets that produce stable cash flows and have barriers to entry. So, these assets tend to appreciate in value as time passes. Brookfield Infrastructure's operations are not only diversified in sector, but also by location. Its primary locations of business are in Australia, North and South America, and Europe.

### Business operations

Its utilities business consists of a regulated terminal, one of the world's largest coal export terminals, in Australia. It also has around 10,800 kilometres of electricity transmission lines in North and South America, as well as an electricity and natural gas distribution network.

With about 5,100 kilometres of track, Brookfield Infrastructure is the sole provider of rail transportation in southwestern and Western Australia. As well, it's the operator of roughly 4,800 kilometres of rail in South America. Other parts of its transport business include toll roads in Brazil and Chile as well as 30 port terminals in North America, the U.K., and Europe.

Further, it also has business in energy transmission, distribution, and storage. That's not all; in March it finished acquiring some communications infrastructure that provides essential services to the media broadcasting and telecom sectors in France.

### Distributions and its growth

Currently, Brookfield Infrastructure pays out a distribution of US\$0.53 per unit. That translates to a yield of close to 4.7% to Canadians, using an exchange rate of 1.19 to convert US\$1 to CAD\$1.

Its payout ratio of 68% aligns with the company's aim to keep the ratio between 60-70%. This payout ratio allows the company enough cash to reinvest into the business to continue to grow its funds from operations.

The company's long-term targeted distribution growth is 5-9%, coming from organic growth as well as incremental returns from new investments.

### **In conclusion**

If there's one utility to own for the long term, Brookfield Infrastructure should be your first choice, with its diversified assets across sectors and countries for a stable and growing distribution.

Together, its four main business operations located in multiple countries are expected to grow funds from operations per unit at 10% per year over the long term. This growth should support its distribution growth that should translate to capital gains since high yields help put a floor on the stock price.

Lastly, interested investors should check Brookfield Infrastructure's website to learn how its distributions are handled tax-wise. Remember, these aren't your usual dividends.

Also, if and when the U.S. dollar weakens, investors may experience an income cut, although the distribution growth should offset some or all of it.

### **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.)

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