



Is Brookfield Infrastructure Partners L.P.'s Growth Plan Falling Apart?

Description

There has been some concerning news for investors this past few weeks about infrastructure giant **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)). The company's planned growth path appears to have hit a speed bump, which is forcing the company to take additional steps. What remains to be seen is if these bumps will only delay the company's plans or if these issues could ultimately set the company back, and force it to come up with another route to drive growth.

An acquisition that is derailing

Brookfield and a consortium of partners have been working on a deal to acquire Australian port and rail operator **Asciano** since this summer. It has been a slow process. Brookfield spent US\$1.2 billion last month to acquire a 14.9% direct interest in the company along with another 4.3% economic interest, which it hopes will push it toward its goal of gaining the 50.1% support required to get this deal approved.

However, later in the month the company announced that the Australian Competition and Consumer Commission (ACCC) had determined not to accept the company's proposed undertakings, which were part of the bid for Asciano.

That said, this was an interim decision, and the ACCC hasn't yet formed a final view of the transaction, which it won't release until December 17. Still, this does suggest that the deal might not gain the pre-clearance it needs in order for the rest of Asciano's investors to vote in favour of the deal, which would likely lead to this deal falling apart.

Upon review, this pipeline stays

In addition to adding new assets into the fold, Brookfield routinely reviews its assets to see if any are ripe for harvesting, so that it can recycle the cash into other assets.

One that it recently placed under strategic review was its ownership interest in the Natural Gas Pipeline Company of America (NGPL), which it co-owns with North American energy infrastructure giant **Kinder Morgan** ([NYSE:KMI](#)) and Myria Holdings. NGPL, which is operated by Kinder Morgan, is one

of the largest interstate pipeline systems in America with 9,200 miles of pipeline.

Until recently, the pipeline hadn't been performing to expectations, but its operations are starting to turn around, and the thought was that this should have improved its value. However, instead of cashing in on that value, Brookfield basically doubled down by joining Kinder Morgan to buy out Myria Holding's 53% stake, resulting in both sharing 50% ownership in the company.

What was interesting about the deal is the fact that Brookfield only paid \$106 million to boost its stake from 27% to 50%, which is a pittance for the \$3.4 billion pipeline company. The implication is that despite the turnaround in operations, the debt embedded within NGLP is so high that Brookfield simply wouldn't have received a worthwhile value by selling its stake just yet.

So, instead of recycling capital out of NGPL, Brookfield is putting more capital into the company, so it can work with Kinder Morgan to drive further improvements in the business.

Investor takeaway

Clearly, Brookfield has hit a couple of speed bumps that could slow its growth in 2016. That said, it's still possible that it will win approval for Asciano and it might end up coming out ahead with NGLP a few years down the road. So, while the road ahead is rougher than expected, it doesn't yet mean that the company won't still be able to deliver strong cash flow and distribution growth to investors in 2016.

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