



The Global Infrastructure Deficit Is a Powerful Tailwind for Brookfield Infrastructure Partners L.P.

Description

The onward march of globalization, which is driving the development of a number of emerging economies, is creating an urgent demand for transportation, energy, and communications infrastructure globally. As a result, the OECD believes that the world is now experiencing a tremendous infrastructure deficit that requires the investment of US\$53 trillion by 2030 if global economic growth is to continue.

Such a massive deficit will act as a powerful long-term tailwind for **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)), making it a compelling investment for long-term investors.

Now what?

Brookfield Infrastructure operates a globally diversified portfolio of infrastructure assets, spanning ports, railroads, electricity and natural gas transmission, toll roads, and telecommunications towers. These assets are located in a mix of developed and emerging markets, giving the company exposure to emerging economies that have the potential to grow at a faster rate, while it benefits from the less volatile earnings growth that developed markets offer.

The globally diversified nature of these operations also reduces the impact that an economic downturn in one region will have on earnings.

Then investors have to consider that these assets operate in heavily regulated markets that have monopolistic characteristics and require considerable amounts of capital to enter. This endows Brookfield Infrastructure with a solid economic moat that protects its business from competition and virtually assures long-term earnings growth.

These characteristics, along with growing global demand for infrastructure, virtually assure that these assets will continue to appreciate in value while generating stable cash flows.

It is easy to see how these attributes enhance Brookfield Infrastructure's financial performance. For the first nine months of 2015 funds from operations grew by a healthy 11% year over year, while net

income more than doubled. Its energy business experienced the greatest growth.

In fact, over the last six years Brookfield Infrastructure's funds from operations have grown by an impressive compound annual growth rate of 23%. I expect this strong growth to continue because of rapidly expanding world trade, the accelerating pace of globalization, and a burgeoning global population that is generating greater demand for infrastructure.

Brookfield Infrastructure is well positioned to take advantage of this by expanding its operations. It currently has US\$675 million in cash and has made a number of acquisitions over the course of 2015.

These include lobbying a bid for Australian rail and ports operator **Asciano Ltd.**, which has received unanimous support from Asciano's board and is in the process of being scrutinized by Australian regulators. There is also its recent foray into India, where Brookfield Infrastructure acquired a portfolio of six toll roads. India has been tipped to be the next hot emerging market.

Brookfield Infrastructure's impressive rate of growth has also supported the rapid expansion of its distribution, which had a compound annual growth rate of 12% over the last six years and now yields a juicy 6%. This distribution remains sustainable. Brookfield Infrastructure targets a 60-70% payout ratio of funds from operations.

So what?

Brookfield Infrastructure offers investors the ability to benefit from the growing global infrastructure deficit and gain exposure to a range of emerging markets without leaving the security of Canada. Then there is that tasty 6% yield, which will reward patient investors as they wait for its share price to appreciate on the back of growing earnings.

CATEGORY

1. Investing

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