



## Why You Should Own Brookfield Infrastructure Partners L.P.

### Description

**Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) owns and operates high-quality, long-life assets that generate stable cash flows, supporting its rich distribution of more than 5%.

**Brookfield Asset Management Inc.** is the general partner and manager of Brookfield Infrastructure and owns about 29.5% of the diversified utility. This high ownership aligns the manager's interests with unitholders' interests.

### Filling a growing need

Infrastructure investments are needed everywhere. In developed markets, there has been a trend of under-investment in infrastructure over many decades. In emerging markets, fundamental economic infrastructure, such as transportation, is needed.

In Brookfield Infrastructure's presentation this month, it quoted sources indicating that the United States requires US\$3.6 trillion of infrastructure investments by 2020; Canada requires \$200 billion of investments by 2025; Europe requires EUR\$1 trillion by 2018. The good thing is, Brookfield Infrastructure already owns and operates infrastructure assets on five continents.

### The business

Brookfield Infrastructure owns and operates utilities, transportation, energy, and communications infrastructures, including railroads, toll roads, ports, pipelines, and transmission and telecommunication towers. These assets are located in North America, South America, Europe, and Australia. Its utilities and transportation segments generate most of its cash flows (about 83% in 2015).

Brookfield Infrastructure has 90% of its cash flows regulated or contracted, 70% are indexed to inflation, and 60% have no volume risks. These factors improve the stability of Brookfield Infrastructure's cash flows.

The chief executive officer and chief financial officer of Brookfield Infrastructure have been with the business since its inception.

### **Value creation**

From 2009 to 2015, Brookfield Infrastructure's funds from operations (FFO) per unit increased on average 12% per year. The utility pays a quarterly distribution of US\$0.57 per unit, totaling an annual payout of US\$2.28 per unit. At \$53.30 per unit, it yields 5.3% (using a foreign exchange of US\$1 to CAD\$1.25).

Brookfield Infrastructure targets a total return of 12-15% per year via acquisitions and investing in its existing assets. It has increased its distribution for eight consecutive years. As FFO grows, it intends to continue increasing unitholder distributions.

### **Conclusion**

Brookfield Infrastructure is an uncommon opportunity to invest in quality global assets for diversification purposes. Additionally, Brookfield Infrastructure's tendency to outperform the market, and its growing 5% yield, makes it a solid investment for the long term.

As usual, buying on dips can only improve returns and the initial yield.

Brookfield Infrastructure pays distributions that can consist of interest, U.S. dividends, other income, and return of capital. So, to ensure to get the full distribution, Canadians should consider holding it in an RRSP. If in doubt, consult a qualified tax advisor.

### **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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