Now Is the Time to Buy This 6% Yield

Description

Growing investor concerns over the outlook for emerging markets is weighing heavily on **Brookfield Infrastructure Partners L.P.** (TSX:BIP.UN)(NYSE:BIP), causing its share price to fall by 6% over the last year. Despite this and its considerable exposure to the commodities-focused economies of Brazil and Australia, this has created a buying opportunity for investors.

Let me explain.

Now what?

There is a growing shortage of infrastructure globally; the greatest shortage is occurring in emerging markets and Asia. This shortage has created a trillion dollar gap between actual spending on infrastructure and what is required to keep pace with global economic growth.

Brookfield Infrastructure, one of the largest globally diversified infrastructure owners and operators in the world, is uniquely positioned to fill this gap.

You see, it owns and operates a portfolio of infrastructure assets that spans ports, telecommunications, rail, toll roads, natural gas storage, and electricity transmission around the world.

It also remains focused on bolstering its asset base through both organic growth and acquisitions.

Brookfield Infrastructure has been locked in negotiations to acquire Australian rail and ports operator **Asciano Ltd.** and recently established a joint venture with **Qube Holdings Ltd.** to acquire and split that company. This deal, unlike Brookfield Infrastructure's previous offer for Asciano, appears set to pass regulators and will give it considerable exposure to Asia that will pay considerable dividends over time.

The growing shortage of infrastructure in Asia will become more marked as populous Asian countries, such as India and Indonesia, modernize and start to develop economically.

It is also worth considering that Brookfield Infrastructure operates hard assets in markets that are highly regulated, have steep barriers to entry, and possess oligopolistic characteristics. All of these attributes endow it with a wide economic moat and protect it from competition.

Meanwhile, its exposure to emerging economies enhances its growth prospects because they are expected to grow faster than developed economies.

As a result of these characteristics, Brookfield Infrastructure has an impressive history of growing EBITDA margins that were 11% higher in 2015 than in 2011.

These features of its business in conjunction with contracted cash flows that underpin a significant portion of its operations virtually guarantee its earnings growth.

Brookfield Infrastructure also possesses a solid balance sheet and has liquidity of US$3 billion, leaving it well positioned to weather any downturn in the global economy and to acquire quality assets at favourable points in the economic cycle.

Then there is its solid history of rewarding investors with a regular and sustained distribution that has a very tasty 6% yield. The sustainability of this distribution is underpinned by Brookfield Infrastructure's stable cash flows and ongoing growth.

So what?

There is not a lot to dislike about Brookfield Infrastructure and, with its emerging markets exposure and ongoing acquisitions, it is set to grow quite strongly over the long term.

Furthermore, its high levels of liquidity leave it well positioned to acquire distressed assets during downturns in the economic cycle and then unlock value from those assets, further boosting earnings growth.

For these reasons, Brookfield Infrastructure is one of my preferred long-term plays on the global economy and, with its impressive dividend yield, should also be a favourite among income-focused investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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Author
mattdsmith