



Why You Should Buy Brookfield Infrastructure Partners L.P. Instead of Brookfield Asset Management Inc.

Description

Over the past five years, **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)) has offered investors many ways to earn fairly low-risk returns. Public investors have the opportunity to either invest in Brookfield Asset Management itself or in one of its three listed partnerships, which Brookfield owns a significant stake in and collects fees from.

Listed partnerships include **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)), **Brookfield Property Partners**, and **Brookfield Renewable Energy Partners**. The question is, over the past five years, where would have investors been best off investing their capital? Looking at equity returns only (not including dividends), investors would have been, by far, better off by investing in Brookfield Infrastructure Partners, including the Brookfield Asset Management parent company itself.

Brookfield Infrastructure has appreciated 135% over the past five years compared to 115% for Brookfield Asset Management and 65% for Brookfield Renewable. Brookfield Property Partners has only been trading since 2013, so a proper comparison is not available, but Brookfield Infrastructure has outperformed it since its inception.

Of course, past returns do not mean future returns, but based on Brookfield Infrastructure's huge pipeline of organic growth projects, acquisition opportunities, and built-in growth, this trend should continue.

Brookfield has three large transactions on the horizon

Brookfield has an extremely robust growth platform that will allow the company to generate funds from operation (FFO) growth of 6-9% annually going forward entirely through organic growth and excluding acquisitions. Over the past eight years, FFO has grown by 8% in U.S. dollars, but excluding the effects of currency exchange, it has grown by an impressive 12%.

When acquisitions are factored in, however, that FFO growth rate skyrockets to 23%. Currently Brookfield has three big transactions underway that will serve to boost that 6-9% rate, and there are

plenty of opportunities available going forward thanks to Brookfield's global platform, as well as the fact that there is gigantic need for infrastructure investments globally.

Brookfield's largest deal—a transformative joint-acquisition for Australian port and rail business Asciano—will see Brookfield and a consortium of partners gain 50% control of Asciano's port business (the remaining 50% will be owned by Australia company Qube). Brookfield and its consortium of partners will also gain 100% ownership of BAPS, which is a port, terminal, and supply chain service.

While Brookfield will not own any of Asciano's rail business, the port business will be a major benefit to Brookfield. Brookfield already has a huge port business with ownership in 30 port terminals globally, and Asciano gives Brookfield a larger presence in the Asia-Pacific region.

In addition to this, there is little crossover between Asciano's and Brookfield's customers, and Brookfield sees itself gaining seven new customers in the transaction, which it could then link to its other businesses or could partner with in the future for investment opportunities. This acquisition would give Brookfield a global presence as a major owner and operator in the container ports business.

Brookfield will be able to fully fund its US\$350 million stake in the business through the sale of a previous toehold stake in the business, and the transaction will also liberate \$600 million to invest elsewhere.

Brookfield has plenty of organic growth opportunities as well

As mentioned previously, Brookfield expects to generate 6-9% growth going forward simply through organic growth. 3-4% of this growth is from built-in inflationary price increases that are guaranteed through Brookfield's various contracts with customers. About 1-2% of the growth will come from GDP growth, and 2 -3 % will come from Brookfield re-investing its own cash flows in growth.

Currently, Brookfield has a large capital backlog of \$1.7 billion, which it plans to deploy over the next couple of years in assets that are expected to return in the mid double digits. Going forward, these organic growth opportunities combined with acquisitions should drive excellent returns and more outperformance.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BN (Brookfield Corporation)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:BN (Brookfield)

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Date

2025/08/02

Date Created

2016/05/12

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