



Brookfield Infrastructure Partners L.P. Deserves Your Consideration

Description

One of my favourite companies is **Brookfield Asset Management Inc.** because it's had such success growing and diversifying its assets. I recommend it regularly. One of its "children," **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) (which Brookfield Asset Management is the general partner and manager of and has 29.5% ownership in) is another company that I believe is seriously worth consideration.

According to its website, Brookfield Infrastructure is "comprised of high-quality, long-life assets that provide essential products and services for the global economy." Specifically, it's focused on utilities, transportation, energy, and communications infrastructure.

It has ports in Europe, North America, and South America. It has rail operations in South America and Australia. It has toll roads in India and South America. It transmits electricity throughout North America and has telecommunication towers in Europe.

It owns a diversified portfolio of large infrastructure operations that kick off significant and secure cash flow. Its business is diversified with 39% in utilities, 37% in transportation, 16% in energy, and 8% in communications. With that, 41% of its cash flow comes from regulated sources, 50% is contractual, and 9% comes from other sources. All told, this makes Brookfield Infrastructure stable, allowing it to predict its available cash flow.

And business is doing very well. From 2009 to 2015, its funds from operation grew from US\$1.03 to US\$3.59, a 23% compound annual growth rate (CAGR). But while it's nice to see that the business has grown in the past, that doesn't mean that future returns will be the same.

Fortunately, the global economy is primed for Brookfield Infrastructure to succeed.

According to the company, there will be a US\$3.6 billion funding gap for infrastructure investments in the United States alone by 2020. In Canada, there will be a \$200 billion funding gap by 2025. In Australia, there's been a AUD\$700 billion funding gap as of 2013. The reality is that all over the world, there are trillions of dollars in funding gaps that Brookfield can help fill.

And Brookfield is already making moves to acquire assets, so it can continue to grow.

Brookfield recently participated in a massive deal, which saw it and a consortium of partners gain 50% control of the port business owned by Asciano. Along with that, it will gain complete ownership of BAPS, a terminal, port, and supply-chain company. This will cost Brookfield US\$350 million, but the company expects that it will help it expand its customer base, generating even more cash flow.

I don't expect Brookfield to stop there, though, with that acquisition. It has US\$3 billion in liquidity that I expect it to deploy to acquire new operations and expand its current ones. Many of its projects don't need outside investment to grow since they kick off enough cash flow. Therefore, the company expects its organic growth to be anywhere from 6% to 9%.

Ultimately, all of this growth allows the company to pay out a lucrative US\$0.57 per quarter in dividend, which comes out to a very attractive 5.29% yield. What's exciting is that the company has increased its yield every year and has seen a 12% CAGR in its distribution. With a payout ratio of 65% of free funds flow from operations, this yield is very safe. All in all, I believe investors should seriously consider this stock for their portfolios.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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