



## 2 High-Quality Infrastructure Stocks With Yields up to 5%

### Description

If you're looking for a high-quality dividend stock with a high and safe yield, a track record of growing its payout, and the ability to continue growing its payout going forward, then I've got two infrastructure stocks you will love. Let's take a closer look at each, so you can determine which would fit best in your portfolio.

#### 1. TransCanada Corporation

**TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) is one of North America's largest owners and operators of energy infrastructure with over \$77 billion in high-quality assets. Its portfolio includes over 90,300 kilometres of natural gas pipelines, over 4,300 kilometres of crude oil pipelines, natural gas storage facilities with about 664 billion cubic feet of capacity, and 17 power-generation facilities.

It currently pays a quarterly dividend of \$0.565 per share, representing \$2.26 per share on an annualized basis, and this gives its stock a high yield of about 3.7% at today's levels. This yield is also very safe when you consider that its comparable distributable cash flow (DCF) totaled \$2.37 per share and its dividend payments totaled just \$1.13 per share in the first half of 2016, resulting in a very conservative 47.7% payout ratio.

It's also important to make the following two notes about TransCanada's dividend.

First, it has raised its annual dividend payment for 15 consecutive years, and its 8.7% hike in February has it on pace for 2016 to mark the 16th consecutive year with an increase.

Second, it has a dividend-growth target of 8-10% annually through 2020, and I think its ample amount of DCF paired with the growth that will come from its acquisition of **Columbia Pipeline Group, Inc.**, which closed on July 1, will allow it to achieve this target.

#### 2. Brookfield Infrastructure Partners L.P.

**Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is one of the world's largest owners and operators of long-life, high-quality infrastructure with over \$20 billion in assets located

across North America, South America, Europe, and Australia.

Its portfolio includes about 10,000 kilometres of rail tracks, 33 port terminals, 16 tolls roads spanning about 3,500 kilometres, over 11,000 kilometres of electricity transmission lines, about 15,000 kilometres of natural gas pipelines, natural gas storage facilities with about 600 billion cubic feet of capacity, and about 7,000 multi-purpose and active rooftop communication towers.

It currently pays a quarterly distribution of US\$0.59 per share, representing US\$2.36 per share on an annualized basis, and this gives its stock a very high yield of about 5% at today's levels. This yield is also very safe when you consider that its funds from operations (FFO) totaled US\$464 million and its distributions totaled just US\$306 million in the first half of 2016, resulting in a sound 66% payout ratio, which is within its long-term target range of 60-70%.

It's also important to make the following two notes about Brookfield's distribution.

First, it has raised its annual distribution for six consecutive years, and its two hikes this year, including its 7.5% hike in February and its 3.5% hike today, has it on pace for 2016 to mark the seventh consecutive year with an increase.

Second, it has a long-term distribution-growth target of 5-9% annually, and I think its consistent FFO growth, including its 17.8% year-over-year increase to US\$464 million in the first half of 2016, and its growing asset base, including its recently acquired toll road businesses in India and Peru, will allow it to achieve this target for many years to come.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:TRP (Tc Energy)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:TRP (TC Energy Corporation)

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