



## Who Says Utilities Have to Be Boring?

### Description

The word *utilities* is a synonym for boredom for some investors, but **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is anything but boring.

### Outstanding track record

Since Brookfield Infrastructure was spun off in 2008 from its parent company (which is also its general partner and manager and owns 30% of the utility), **Brookfield Asset Management Inc.**, the diversified utility has delivered an annualized rate of return of 23% while offering an above-average yield.

Brookfield Infrastructure's track record is attributable to its extraordinary management team, led by CEO Sam Pollock, who joined Brookfield Asset Management and acted as the chief investment officer in 1994. Since 2006 he has led the company's expansion into the infrastructure sector.

### Assets and cash flow

Brookfield Infrastructure has continued to grow its global portfolio of high-quality infrastructure assets that are diversified across North and South America, Asia Pacific, and Europe.

These long-life assets are in the utilities, transport, energy, and communications infrastructure sectors, which generate strong and consistent cash flows and require little capital to maintain. For the first half of the year the maintenance capital was only 14% of the cash flow generated.

Brookfield Infrastructure's cash flow is diversified. The utility generates about 39% of its cash flow from its utility business (across regulated distribution, electricity transmission, and regulated terminals), about 37% from its transport business (across rail, toll roads, and ports), about 16% from its energy business (across energy transmission and district energy), and about 8% from its communications infrastructure business.

### Consistently growing distribution

Brookfield Infrastructure generates about 90% of cash flows, which are supported by regulated or long-

term contracts. These stable cash flows lead to stable distributions that are evident from Brookfield Infrastructure's distribution growth record. Since 2008 the utility has increased its distribution at a compound annual growth rate of 12%.

The utility raised its distribution per unit by 7.5% in the first quarter on its usual schedule, but the company announced a surprise distribution hike of 3.5% that's payable in the third quarter.

If Brookfield Infrastructure maintains the new quarterly distribution per unit of US\$0.59 in the fourth quarter, the annual payout would be 9% higher than 2015's, which would meet the high end of the company's distribution growth target of 5-9% per year and still be within the company's target-payout-ratio range of 60-70%.

## Conclusion

With about \$170 million invested and roughly \$370 million of investments across all business segments added to the backlog in the second quarter, Brookfield Infrastructure is poised to continue to grow.

The surprise distribution hike was another positive sign that indicated the company is confident about its future prospects.

Over the long term, investors can count on Brookfield Infrastructure's stellar track record of execution and value creation for unitholders via strong organic growth and new investment contributions, while receiving an above-average yield.

Brookfield Infrastructure's starting yield of 5% is a decent entry point, but it'll be an even better buy on dips.

## 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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