



2 Top Reasons to Own Brookfield Infrastructure Partners L.P.

Description

Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#)) owns and operates a high-quality portfolio of infrastructure assets around the world. The company targets 12-15% total returns on invested capital over the long term while offering a sustainable and growing distribution for unitholders.

Here are two top reasons to invest in Brookfield Infrastructure for the long term.

Growing global need for infrastructure investments

There's a growing need for investments in global infrastructure. Brookfield Infrastructure listed in its June presentation that the estimated funding gap for infrastructure investment requirements in the United States will be US\$3.6 trillion by 2020; in Canada it will be \$200 billion by 2025; in Europe it will be EUR\$1 trillion; and in Australia it was \$700 billion as of 2013.

Governments are supportive of infrastructure investments because they help stimulate and support the economy. Developed markets have tended to underinvest in infrastructure over many decades, and emerging markets require investments in fundamental economic infrastructures, such as transportation.

Governments may not have the budgets to make these needed investments, and that's where companies such as Brookfield Infrastructure come in.

For example, in the second quarter Brookfield Infrastructure invested about US\$100 million across its utilities and US\$70 million in transport and energy projects to meet growing needs. The company added \$370 million of investments to its backlog across all business segments.

Diversified portfolio

Brookfield Infrastructure already has a portfolio of assets that are diversified across North and South America, Asia Pacific, and Europe in the four business segments.

All segments provide needed products or services. First, its utility operations include regulated distribution of electricity and natural gas to about 2.6 million clients, about 11,100 km of electricity

transmission lines, and a regulated terminal, which is one of the world's largest coal-export terminals in Australia.

Second, its transport assets include rail, toll roads, and ports, which provide transportation for freight, bulk commodities, and passengers. Third, its energy assets transmit, distribute, and store energy.

Lastly, its communication infrastructure assets provide essential services and critical infrastructure to the media broadcasting and telecom sectors.

These assets generate stable cash flows that support a sustainable and growing distribution to unitholders.

Stock split

Investors should note that Brookfield Infrastructure will be having a three-for-two unit split, which will affect unitholders of record at the close of September 6. This is what strong companies tend to do as their share price steadily appreciates. This split will simply increase the liquidity of the stock.

On the surface, the split will increase the number of units outstanding and reduce the distribution per unit, but in reality the split will not dilute unitholders' equity. Existing unitholders will receive the same amount of distributions as before. Additionally, the split will not be taxable in Canada or the United States.

Conclusion

As Brookfield Infrastructure continues to create value for the economy, it has also been creating value for its unitholders. Investors looking for total returns or income will not be disappointed.

Since the utility was spun off in 2008, it has delivered an annualized rate of return of 23%, and it has increased its distribution at a compound annual growth rate of 12%.

This year the total distribution per share it pays out to unitholders will be 9% higher than the previous years if it maintains its quarterly distribution per unit of US\$0.59. And it should be able to do so with a payout ratio of about 68% and with about 90% of its cash flows supported by regulated or long-term contracts.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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Author

kayng

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