



3 Reasons to Buy This Attractive 4.5% Yield

Description

Even after gaining a healthy 34% for the year to date and completing a three for two share split, there are signs that **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) still has considerable long-term upside.

Now what?

Firstly, there is a considerable shortfall in spending on infrastructure globally.

According to management consultancy McKinsey & Company, US\$57 trillion will have to be spent on infrastructure globally between now and 2030 just to keep pace with global growth.

In fact, some economists believe there will be a US\$25 trillion shortfall in global infrastructure spending because of the inability of governments to provide the required investment. This creates a significant opportunity for private enterprise to fill and profit from the gap. One of the best-positioned companies to do this is Brookfield Infrastructure Partners.

It not only has a solid, highly liquid balance sheet, but it also has the backing of one of the world's largest unconventional asset managers **Brookfield Asset Management Inc.** Brookfield Asset Management, with US\$240 billion under management, has considerable experience managing hard assets.

Secondly, Brookfield Infrastructure Partners owns and operates a diversified portfolio of long-life hard assets.

These assets are essential to the running of the global economy and include infrastructure for the transmission of electricity and distribution of natural gas, toll roads, ports, railways, and telecommunications transmission towers. They are geographically diversified across a range of jurisdictions, including North America, South America, Western Europe, India, and Australia, giving it solid exposure to a range of developed and developing economies.

More importantly, these assets operate in markets with steep barriers and oligopolistic characteristic,

which not only protects their competitive advantage but, along with the shortage of infrastructure, allows them to be price makers. Along with 90% of its cash flows coming from regulated or contracted sources, this virtually guarantees its earnings and makes them highly predictable.

The advantages that these characteristics provide Brookfield Infrastructure's operations can be seen with the solid growth in its EBITDA margin. Over the last five years it has expanded by 11% to be an impressive 57% at the end of 2015.

Finally, Brookfield Infrastructure Partners has an enviable growth profile.

Not only is it well positioned to benefit from organic growth opportunities that exist within its business, but Brookfield Infrastructure Partners is focused on growth through accretive acquisitions. Over the last year it has completed a number of deals that have helped to boost earnings and margins.

In conjunction with a range of institutional partners, these include buying gas storage business **Niska Gas Storage Partners LLC**, Australian ports operator **Asciano Ltd.**, and a 57% stake in a portfolio of Peruvian toll roads. Each of these has enhanced Brookfield Infrastructure Partners's growth profile and boosted its EBITDA margins.

Only last week Brookfield Infrastructure Partners announced the US\$5.2 billion purchase of a 90% controlling stake in **Nova Transportadora do Sudeste S.A.**, a system of natural gas transmission assets in Brazil, from embattled Brazilian oil giant **Petróleo Brasileiro S.A.** ([NYSE:PBR](#)). The deal will enhance its presence in Brazil, Latin America's largest economy, and significantly boost its exposure to Brazil's growing gas industry, increasing earnings over the long term.

So what?

The characteristics of Brookfield Infrastructure Partner's assets combined with its ability to make accretive acquisitions and the shortfall in global infrastructure spending will give its earnings a healthy bump over the long term. These attributes have also allowed it to reward investors with a steadily growing distribution that has been hiked for the last eight years straight, giving it a juicy 4.5% yield.

CATEGORY

1. Investing

TICKERS GLOBAL

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