



## Brookfield Infrastructure Partners L.P.: A Dividend-Growth Stock for All Income Investors

### Description

Anyone searching for a job is looking for stability at the company and the ability to get raises as the company grows. Income investors are the same way: they want to know the dividend is secure and that the company can grow, so the dividend follows. While there are a lot of great dividend stocks in Canada, **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) might be one of the best.

Brookfield Infrastructure, an offshoot of its parent company, **Brookfield Asset Management**, invests and acquires assets in energy, transportation, utilities, and communications infrastructure. In North America it owns ports and thousands of miles of electricity transmission capability. In South America it owns rail operations, toll roads, and ports.

All told, its asset breakdown is as follows: 37% in transportation, 16% in energy, 39% in utilities, and 8% in communications. As for how predictable its cash flow is, it generates 41% from regulated sources, 50% from contractual sources, and 9% from other diversified holdings. All told, the business is invested in high-quality assets that have relatively predictable cash flows.

In September, Brookfield Infrastructure Partners paid US\$825 million for a 20% stake in the natural gas transmission assets owned by **Petroleo Brasileiro SA Petrobras**. A consortium of institutional clients from its parent company also bought 70%. All told, it cost the investors US\$5.2 billion.

Natural gas transmission assets are pipelines, which act like tolls. Natural gas companies pay the pipeline provider for the right to ship and pay a constant price. Toll booths don't care what kind of car goes through, just that the toll is paid. Existing contracts already account for 100% of capacity, so it's like printing money for Brookfield.

And the company doesn't expect to slow down its investments. Management expects to invest between \$500 million and \$1 billion per year on acquisitions over the next three to four years. That would push its very lucrative cash flow even higher, which would, in turn, kick the dividend up much higher than it already is.

Speaking of the dividend, though ... how good is it?

It pays US\$0.59 per quarter, which is a very consistent 3.47% yield. And with so much of the cash flow coming from regulated industries, this dividend is secure. But what about growth? This year's dividend is 9% higher than it was last year. And since the company was rolled out back in 2008, the dividend has had a compound annual growth rate of 12%.

Going forward, management wants to see the dividend increase by 5-9% each year, thanks to the anticipated 12-15% in total returns on invested capital in the coming years. With deals like the Petrobras one, I see very little reason why Brookfield Infrastructure won't be able to continue bringing in ample amounts of cash flow and then, in turn, return that cash to investors.

With governments unable to invest the money they need in infrastructure, I expect companies such as Brookfield to step up with investments. As investors, we get to benefit from the great income.

## 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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