



Could Trump Actually Be Good for Brookfield Infrastructure Partners L.P.?

Description

As is to be expected, there is a lot of uncertainty around what President Trump will mean for the U.S. economy, but also for economies around the world. There has been talk that he might trigger a trade war, which could cause significant damage to the growing but still fragile world economy.

One thing Trump has talked quite a bit about is his infrastructure plan. Through a mix of private and public funding (tax breaks), he is hoping to see over a trillion dollars invested in rebuilding American infrastructure. And one company that could benefit from this is **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

If Trump is going to give tax write-offs to companies that invest in infrastructure projects—whether that's bridges, toll roads, or other types—Brookfield Infrastructure could see significant benefit. But I don't advise buying this stock for that reason. There is a lot of time between now and whenever any sort of infrastructure plan is created. Instead, I believe in buying this stock because it is an incredibly high-quality utility and dividend-paying company.

Here's what you need to know...

This is an offshoot of its parent company, **Brookfield Asset Management**, and it focuses its resources on investing in high-quality infrastructure projects, including transportation, utilities, communications, and energy. It has 37% of its assets in transportation, 39% in utilities, 16% in energy, and 8% in communications. It has 50% of its revenue coming from contractual sources and 41% is from regulated sources, so it is in a predictable business.

Like all of the Brookfield offshoots, it grows its business through acquisitions. Management expects to invest between \$500 million and \$1 billion per year over the next three to four years. And because there is so much need for infrastructure investments around the world, I expect the assets to be high-quality that immediately provide a boost to cash flow.

One example is the natural gas transmission assets formally owned by **Petroleo Brasileiro SA Petrobras**. Brookfield Infrastructure paid US\$825 million for a 20% stake in the business with a consortium of clients buying 70%. All told, the investors paid US\$5.2 billion. The great thing about this

acquisition is that the toll-booth-like pipeline already has existing contracts that account for 100% of capacity.

In its Q3 earnings release, the company revealed that it had invested US\$660 million in three different acquisitions: a group of Australian ports, a North American gas-storage business, and Peruvian toll roads. It's also looking to invest \$1.1 billion in its Brazilian gas and electricity transmission business and has \$1.5 billion of projects coming online in the next year and a half.

All of this contributes to Brookfield Infrastructure's goal of continuing to deliver consistent dividends to its investors. It currently pays a 3.59% yield, which is a quarterly distribution of US\$0.59 per quarter. Since the company was spun out in 2008, it has delivered compound annual growth rate of 12% in its dividends with the expectation of growing that by anywhere from 5% to 9% per year going forward. And with the payout ratio only 68%, it's well within the 60-70% range that the company wants.

The conclusion is this: Trump might provide a boost in infrastructure investments, which will help Brookfield Infrastructure Partners. However, when investing in companies, it's all about the fundamentals. And fortunately, this company has amazing fundamentals.

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