3 Reasons to Buy Brookfield Infrastructure Partners L.P.

Description

Infrastructure companies don't tend to excite me because they're slow and, while they're consistent with their dividends, growth is not exactly in the cards. Fortunately, there are a couple of high-flying infrastructure companies worth considering in Canada. One I'm particularly bullish on is **Brookfield Infrastructure Partners L.P.** (TSX:BIP.UN)(NYSE:BIP).

Diversification and stability

Although it is technically a utility company, its assets are well diversified across multiple sectors and geographies. It has 39% of its assets in utilities, 37% in transportation, 16% in energy, and 8% in communications.

Brookfield Infrastructure owns 2.8 million individual gas and electric connections, nearly 10,000 km of railroad, 36 ports around the world, a little over 11,000 km of electrical transmission lines, over 3,500 km of toll roads, a 15,000-km natural gas pipeline network, 7,000 telecom towers, 5,000 km of fiber optic lines, and a massive holding of natural gas storage capable of holding 600 billion cubic feet.

All of this allows the company to generate consistent income: 43% of its cash flow is derived from regulated sources with an additional 48% coming from contractual sources, and 9% coming from "other" sources. This shows that Brookfield Infrastructure is diversified across multiple assets and, just as importantly, its cash flow isn't dependent on a single source.

A powerful family

Brookfield Infrastructure is the child of **Brookfield Asset Management Inc.** (TSX:BAM.A)(NYSE:BAM). Brookfield Asset Management owns approximately 30% of Brookfield Infrastructure. One positive of this is that it incentivizes Brookfield Asset Management, a company with over 100 years of experience, to make its child a success.

And we see that on a regular basis because Brookfield Asset Management invests alongsideBrookfield Infrastructure. This is important because it gives Brookfield Infrastructure access and theresources required to acquire large-scale operations.

In 2016, Brookfield Asset Management and Brookfield Infrastructure, with its network of partners, acquired multiple assets. One was an Australian port business, costing US$880 million in total, with Brookfield Infrastructure owning US$350 million worth. Other big acquisitions included the taking over of toll roads in Peru and India, which cost the network a total of US$440 million; Brookfield Infrastructure's portion cost US$180 million. And finally, there's the Niska gas storage takeover, which cost a total of US$440 million; Brookfield Infrastructure put up US$180 million.

Those are just a few examples. This shows that Brookfield Infrastructure has access to high-quality assets thanks to the resources of its parent company.

Dividend

Brookfield Infrastructure currently pays a US$0.435 dividend per quarter, which is good for a 6.38% yield. And remember, 90% of its cash flow is either from regulated or contractual sources, so there shouldn't be much volatility in the dividend.

Regarding growth, management is looking to increase the dividend by anywhere from 5% to 9% per year, which is entirely possible considering the numerous large-scale acquisitions the company makes.

Conclusion

Brookfield Infrastructure is a well-diversified company that generates the bulk of its cash flow from regulated or contractual sources. Because of its relationship with its parent company, it has the access and resources to make large acquisitions. The consistent cash flow means it can pay a strong dividend, and the relationship with its parent company means that dividend will continue to grow. There are few utilities as lucrative and exciting as Brookfield Infrastructure.

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1. Dividend Stocks
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2. NYSE:BN (Brookfield Corporation)
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Date
2025/09/16
Date Created
2017/03/20
Author
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