



1 Warren Buffett-Inspired Canadian Stock to Scoop Up

Description

Editor's Note: A previous version of this article, published 5/16/2017 at 3:30pm stated that Brookfield Infrastructure Partners L.P.'s distribution yield is 3.2%. This article has since been updated to correct the yield to 4.3%.

To pass the Warren Buffett test, a business must have a durable competitive advantage and a wide moat. A true "Buffett" inspired business must have an impressive track record of earnings growth as well as distribution growth over the past decade. The business must also have a predictable stream of future cash flows, and if possible, be in a simple and predictable industry that the general public may refer to as a "boring".

Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#)) owns and operates utilities, transport, energy, communications, and freehold timberlands around the world. The company is one the most diverse global infrastructure plays in the world, and the management team is determined to further strengthen its moat by making strategic acquisitions.

The company's assets have a whopping US\$21.3 billion book value as of the end of 2016. Brookfield Infrastructure's moat of assets is gigantic, and it's growing quite fast. It would be near impossible and incredibly expensive for a competitor to build their own infrastructure in Brookfield Infrastructure's area of operations.

Not to mention that local government restrictions would probably prevent such a move from happening, even if a competitor did have the capital. Simply put, Brookfield Infrastructure's moat is extremely wide, and this makes for a very stable cash flow stream.

Growth by acquisition to fuel long-term distribution growth

The management team is determined to increase its long-term cash flow by making strategic acquisitions of businesses priced at a discount to their underlying assets. The management team is focused on delivering long-term value to unitholders and is not going to make a deal just for the sake of increasing the short-term stock price.

Brookfield Infrastructure has grown its distribution by a huge amount over the past few years. The company's objective is to provide a stable distribution for unitholders while obtaining annual distribution growth between 5-9%.

Brookfield Infrastructure made many huge moves last year including the acquisition of **Asciano Ltd.**, and Australian rail and port operator, for US\$6.55. The company also bought a 90% stake in the Brazilian natural gas pipeline for US\$5.2 billion. Brookfield Infrastructure also made many new ventures in the foreign markets Peru and India.

That's a lot of acquisition activity which will boost long-term free cash flow and allow for more generous annual distribution increases for many years to come.

Valuation

Brookfield Infrastructure currently trades at a 36.2 price-to-earnings with a 3.2% distribution yield. It's definitely not cheap, but you're paying for high-quality assets located around the world. The distribution isn't extraordinarily high, but it's definitely solid and will be growing by a huge amount over the next decade.

The stock isn't cheap right now, so I'd recommend buying a small chunk now with the intention of buying more on any signs of weakness.

Stay smart. Stay hungry. Stay Foolish.

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