1 Growth Stock Yielding 4% That Should Be in Every Portfolio

Description

U.S. stocks recently surged to another record high as jitters among investors turned to optimism because quarterly earnings were better than expected. This indicates that the health of the global economy may be healthier than many pundits had previously thought. Any uptick in economic activity is a boon for **Brookfield Infrastructure Partners L.P.** (TSX:BIP.UN)(NYSE:BIP).

Now what?

You see, Brookfield Infrastructure is one of the largest owners and operators of infrastructure that is critical to conducting commercial activity globally. These assets include toll roads, ports, rail networks, electricity transmission lines, natural gas pipelines and storage, as well as telecommunications towers. Their importance to facilitating economic growth can't be emphasized enough, highlighting that any improvement in the world economy will act as a powerful tailwind for the partnership.

In a recent report, the OECD stated that 2017 global GDP growth is improving and will be better than originally forecast. That positive outlook, along with the recovery in commodities, will drive greater demand for the use of Brookfield Infrastructure's assets.

Notably, a significant portion of its portfolio is in developing nations, which are also experiencing an uptick in GDP growth because of the recovery in commodity prices. Those economies tend to grow at a faster rate than developed countries which, in conjunction with a shortage of investment in critical infrastructure, magnifies the demand for the usage of existing assets.

The lack of infrastructure critical to economic activity doesn't just apply to the developing world; there is also a growing shortage in many developed nations. This infrastructure gap coupled with a lack of government investment globally will lead to an ever-wider shortfall in critical infrastructure that can only be filled by the private sector.

For these reasons, demand for the use of Brookfield Infrastructure's assets will grow significantly, giving earnings a healthy lift.

First-quarter 2017 results already show how these factors are acting as a significant tailwind for the partnership. Adjusted EBITDA grew by just under 9% year over year, while funds flow from operations shot up by almost 12%. That solid growth can be attributed to strong organic growth in the partnership's energy and transportation businesses. The purchase of a 90% interest in Brazilian natural gas transmission utility **Nova Transportadora do Sudeste S.A.** in April 2017 will further enhance earnings.

Brookfield Infrastructure is also well positioned to make further accretive and opportunistic acquisitions as they arise over the course of the year, because, as of the end of the first quarter, it was holding US$1.3 billion in cash. It is management's ability to identify accretive deals and recycle capital by selling mature assets that has been the secret to the partnership's spectacular growth. Over the last nine years, funds flow from operations has had an impressive compound annual growth rate of 19%, and all evidence indicates that this rate of growth can only continue.

What many investors fail to realize is that the very nature of Brookfield Infrastructure's business endows it with an almost insurmountable economic moat which also makes it an ideal defensive stock. Not only does 95% of its revenue come from regulated or contracted sources, virtually guaranteeing its earnings, but it operates in a range of oligopolistic markets with steep barriers to entry. That means it is shielded from competition and can, to an extent, act as a price maker rather than price taker.

Furthermore, because of the critical nature of those assets, demand for their use is relatively inelastic, meaning that Brookfield Infrastructure is unaffected by economic downturns. That means the impact of economic slumps on its earnings are negligible.

So what?

Brookfield Infrastructure is one of the most attractive growth stocks available to investors. Not only does it possess solid growth potential and proven management, but it keeps rewarding loyal investors with a regular distribution yielding a juicy 4.6%. For the reasons discussed, that distribution is sustainable, and management's goal of growing funds flow from operations by 6-9% annually is certainly achievable.

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Author
mattdsmith