



A Quality Dividend-Growth Stock for the Conservative Investor

Description

Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#)) dipped more than 4% today. As Warren Buffett would say, “It’s far better to buy a wonderful company at a fair price than a fair company at a wonderful price.” I think Brookfield Infrastructure is a wonderful company at a fair price.

Why the stock dipped

On Monday, Brookfield Infrastructure announced an equity offering of ~US\$1 billion at US\$42.10 per unit. Prior to the offering, the units traded at a premium price of ~US\$44 per unit to the offering price. So, the stock dipped after the announcement.

It’s actually pretty common for Brookfield Infrastructure to raise funds through equity offerings to grow the business. Indeed, as stated in the press release, management intends to use the net proceeds of the offering “to fund a growing backlog of committed organic growth capital expenditure projects, an active pipeline of new investment opportunities and for general working capital purposes.”

You’re investing with the management

About 30% of the equity offering will be purchased by **Brookfield Asset Management Inc.** ([TSX:BAM.A](#))([NYSE:BAM](#)) and some of its related entities.

Brookfield Asset Management is the general partner and manager of Brookfield Infrastructure and has a stake of about 30% in Brookfield Infrastructure. So, you can be sure that management’s interests align with those of the unitholders.

The CEO and CFO have been with the business since inception. And the 15 managing partners have an average of 20 years of experience and 12 years of experience at Brookfield.



Outperformance and distribution growth

Brookfield Infrastructure's five-year annualized returns are 24%, which greatly outperformed the **S&P 500's** and **S&P Utilities Index's** annualized returns of ~14% and ~11%, respectively, in that period.

Like most other utilities, Brookfield Infrastructure has a nice yield. At ~\$50.90 per unit, the stock offers a yield of nearly 4.2%. It offers a U.S. dollar-denominated distribution, which will cause its yield to fluctuate — the stronger the U.S. dollar against the Canadian dollar, the higher the yield.

Since 2009, Brookfield Infrastructure has increased its distribution per unit at a compound annual growth rate of 12%. This is supported by funds from operations per-unit growth of 24% on average per year. Going forward, management aims to grow its distribution per unit by 5-9% per year.

Investor takeaway

Brookfield Infrastructure owns and operates a globally diverse portfolio of critical infrastructure assets, including toll roads, railroads, ports, pipelines, transmission lines, and telecommunications towers, which are essential to the economies they serve. So, Brookfield Infrastructure's products and services are needed in any economic environment.

The stock is a reasonable buy at current levels for income and total returns, and it'd be a stronger buy on any further dips. Brookfield Infrastructure is a decent choice for investors looking for stability and safety.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BN (Brookfield Corporation)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:BN (Brookfield)

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