



Is Brookfield Infrastructure Partners L.P. Still a Strong Buy?

Description

From utilities to communications to energy, **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) owns and operates one of the largest portfolios of globally diversified infrastructure assets.

Here's why the stock is still a buy.

Since 2009, Brookfield has grown its funds from operations by a cumulative average annual growth rate (CAGR) of 24%, and its per unit distribution by a CAGR of 12%, and all indications are that there is plenty of upside yet to come.

With a current dividend yield of 4.05%, investors can feel reassured and have confidence in this dividend by looking at the company's history of dividend increases. Management's plan, which is targeting 5-9% annual growth in distributions and long-term ROEs of 12-15% seems highly reliable.

Why?

Well, first of all, the company's assets are long-life assets that provide essential services. These include assets such as regulated utilities terminals, energy transmission and distribution, railroads, toll roads, as well as in newer, faster-growing industries, such as communications infrastructure and water infrastructure.

These assets bring predictable cash flows and have long-term contracts.

Second, the company is backed by the \$52 billion market capitalization behemoth, **Brookfield Asset Management Inc.**, which has a stake in Brookfield Infrastructure's assets and provides management and administration services for it.

And finally, looking to the future, we can see that the company is in good shape financially, with a plethora of opportunities. Let's delve a little deeper into this.

Brookfield currently has roughly \$2.8 billion of liquidity, with only 30% of its debt maturing in the next five years, and an interest coverage ratio of 20 times.

In terms of future opportunities, the list is long and exciting.

From different geographies to different industries, the fact is that the growth is coming from new sources.

Aging public infrastructure, economic growth in Asia, water scarcity, and unprecedented data usage are big drivers.

The exponential increases in data usage, for example, will necessitate massive investment in infrastructure such as telecom towers, fibre, and data centres. The company estimates this will potentially be a \$3 trillion market by 2025.

Another example is the upcoming investment in water supply and infrastructure that has to happen moving forward, with developing markets focusing on improving access to clean water and more developed countries focusing on improving drinking water, lessening water discharge, and better wastewater treatment.

Another company that is benefitting from the global water issues is **Pure Technologies Ltd.** (TSX:PUR), a global player in the maintenance of water pipelines in response to rapidly aging infrastructure, water scarcity, rapidly emerging economies, and increasing government regulations.

In summary, Brookfield has a bright past and future, and investors can count on this name for income and stability.

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Author

karenjennifer

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