

There's Much to Like About This Dividend Stock

Description

The stock of **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) has declined more than 9% year to date. There's a similar pullback across the utilities sector, as investors worry about higher interest rates, which will increase the cost of operation for utilities, which tend to have high debt levels. That said, the company maintains a strong balance sheet with a BBB+ investment-grade rating.

[The stock has outperformed in the long run.](#) As an example, on the Toronto Stock Exchange, Brookfield Infrastructure's five-year annualized return was more than 19%, while in the same period, the U.S. market, represented by **S&P 500**, delivered 14% per year, and the Canadian market, represented by **iShares S&P/TSX 60 Index Fund**, delivered about 7.7% per year.

Should investors buy Brookfield Infrastructure on the pullback?

First, here's an overview of the business.

The business

Brookfield Infrastructure owns and operates a global portfolio of infrastructure assets, including electricity and gas transmission and distribution, toll roads, railroads, ports, telecommunications towers, and water infrastructure, across 35 businesses.

One contributor to Brookfield Infrastructure's strong and stable growth is capital recycling. In the past eight years, the company sold 10 businesses with an average rate of return of more than 25%. This generated gross proceeds of more than US\$2 billion. Through capital recycling, it expects to raise US\$1.5-2 billion over the next few years.



Brookfield Infrastructure offers a safe, growing dividend

Brookfield Infrastructure has increased its distribution per unit for 10 consecutive years. Its three-year distribution-growth rate was 10.8%.

Since about 95% of the company's cash flow is regulated or contracted, and roughly 75% of its cash flow is indexed to inflation, its cash flow sustainably supports its growing distribution. Last year, Brookfield Infrastructure increased its funds from operations per unit by 14%, while its payout ratio was 68%.

On top of that, management just hiked its quarterly distribution by 8%, so the stock now offers a yield of 4.6%, which makes it a good place to start accumulating shares.

Brookfield Infrastructure is working hard to close a couple of transactions, including the acquisition of two toll roads in southern India and a Colombian-regulated distribution system. The company expects them to start contributing to its cash flow in the second half of this year.

Investor takeaway

Brookfield Infrastructure can serve as [a long-term holding for conservative investors](#) with an affinity for dividends. At about US\$40.60 per share (or CAD\$51.20 per share), the stock offers a safe 4.6% and is reasonably priced. Interested investors can begin accumulating shares at current levels and see any further dips as stronger buying opportunities.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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