



## Brookfield Infrastructure Partners L.P. (TSX:BIP.UN): Loading Up the Coffers and Moving Ahead With New Deals

### Description

I have been a [tremendous fan](#) of **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) for some time and believe that it should be a core holding in every investor's portfolio. The owner of a globally diversified portfolio of critical infrastructure refreshed its coffers earlier this year through a hybrid equity, raising \$200 million, and the US\$1.3 billion sale of its 28% interest in a Chilean utility business. This left it well positioned to start searching for accretive and opportunistic acquisitions during 2018. Recent announcements show that Brookfield Infrastructure has been doing just that, bolstering its portfolio of assets and further positioning itself for growth.

### Now what?

Back in late June 2018, the partnership announced that it was entering a deal with U.S. telecommunications behemoth **AT&T Inc.** to acquire 31 data centres for what some analysts are calling the bargain price of US\$1.1 billion. The deal does appear attractive, because **Verizon Communications Inc.** sold 24 data centres in 2016 to data centre specialist **Equinix Inc.** for US\$3.6 billion.

Of the data centres to be acquired by Brookfield Infrastructure, 18 are located in the U.S. and the remaining 13 are international.

The deal follows on Brookfield Infrastructure's planned expansion into the burgeoning telecommunications sector, where the trend to mobile data and cloud architecture has become the dominant theme for enterprises and individual consumers alike. The demand for the underlying infrastructure that supports the provision of telecommunications services is growing at a rapid clip.

Not only have voice and data services been described as the fastest-growing commodity globally in what is now the information age, but it requires a massive amount of underlying infrastructure to support the provisions of those services. Brookfield Infrastructure's entry into the industry will act as a long-term tailwind for growth.

The most recent transaction is one that fits Brookfield Infrastructure's traditional model: the acquisition of **Enbridge Inc.'s** ([TSX:ENB](#))([NYSE:ENB](#)) Western Canadian natural gas gathering and processing business.

Enbridge, after completing the 2016 \$37 billion Spectra Energy Corp. deal, which formed North America's premier provider of energy infrastructure, found itself burdened with what analysts claimed was an unmanageable level of debt. Even after assets sales, that tremendous pile of debt still totaled \$61 billion at the end of the first quarter 2018. This — along with the company's convoluted capital structure — has, in the eyes of some pundits, created an unacceptable degree of risk, causing Enbridge to become the fourth most-shorted stock on the TSX.

As a result, Enbridge's management has moved to simplify the company's operations and structure as well as bolster its balance sheet through further divestments of non-core assets.

The deal with Brookfield Infrastructure has a headline value of \$4.3 billion, which, after running the figures, appears attractively priced; it's around 10 times that business's EBITDA. Brookfield Infrastructure has a long history of identifying undervalued investments among energy infrastructure and has proven itself adept at turning them around, so they generate solid earnings and can be sold at a considerable profit.

This acquisition will give Brookfield Infrastructure's growth prospects a solid boost, because the assets it is purchasing form an integral link between natural gas producers operating in the Montney Basin and key processing as well as export markets. The Montney is [considered](#) to be one of the lowest-cost and fastest-growing natural gas plays in North America, attracting considerable interest from a wide number of upstream gas producers.

### So what?

Brookfield Infrastructure appears unable to put a step wrong, and the two latest deals certainly enhance its long-term growth prospects. Not only will they bolster earnings, but they also enhance its wide economic moat and the relative stability of the partnership's earnings. That is an important attribute in any stock in a global operating environment riven with economic and political risks. While they wait for Brookfield Infrastructure's stock to appreciate, investors will be rewarded by its sustainable and steadily growing distribution, which yields just over 3%.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:ENB (Enbridge Inc.)

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