



Latest Results Highlight Brookfield Infrastructure Partners L.P.'s (TSX:BIP.UN) Solid Growth Prospects

Description

Globally diversified infrastructure business **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) reported some credible second quarter 2018 results despite missing on revenue. There is every sign that the partnership will continue to fire on all cylinders for the foreseeable future regardless of emerging risks to global economic growth notably from Trump's [trade policies](#).

Now what?

While Brookfield Infrastructure missed on revenue for its second quarter 2018, the company still announced some solid results including net earnings of US\$125 million, which was an impressive 25 times greater than the US\$5 million reported a year earlier. Because of the revenue miss, funds flow from operations for the quarter remained flat compared to a year earlier to be US\$294 million. This can be attributed to asset divestments, notably the sale of Brookfield Infrastructure's Chilean electricity transmission business, which caused revenue and cash flow from its utility segment to decrease by 17%.

Nonetheless, Brookfield Infrastructure's energy operations compensated for this shortfall, reporting a 56% year over year increase in funds flow because of a substantial uptick in transportation volumes for its North American gas transmission business. The solid increase in earnings can be attributed to a range of factors, the key being organic growth initiatives as well as investments made by the partnership in a series of acquisitions made over the previous 12 months.

It is Brookfield Infrastructure's long history of recycling capital and making opportunistic as well as accretive acquisitions that will boost long-term earnings. The business remains focused on deploying capital through a range of deals aimed at expanding and diversifying its portfolio.

Since the start of 2018, Brookfield Infrastructure has entered into three key deals, which will give earnings a solid boost. There was the US\$1.1 billion purchase of data centres from **AT&T Inc.**, thereby giving Brookfield Infrastructure considerable exposure to what is considered to be one of the most rapidly growing segments in the infrastructure industry. The deal adds 31 data centers across five

continents, 11 countries and 26 markets to the partnership's portfolio, and those assets generate around 85% of their revenue in the U.S.

Brookfield Infrastructure also acquired **Enbridge Inc.'s** Western Canadian Midstream business for US\$1.8 billion. The deal saw Brookfield Infrastructure and its partners acquire 19 natural gas processing facilities and 3,550 kilometers of pipelines. The business forms an important link between one of Canada's fastest growing natural gas basins, the Montney Shale, and crucial natural gas markets. It bolsters Brookfield Infrastructure's exposure to booming demand for natural gas and will give its earnings a healthy lift.

The latest is the US\$3.3 billion purchase of **Enercare Inc.**, a leading North American commercial and home energy infrastructure provider. The acquisition adds 1.6 million energy infrastructure customers and a sub-metering business with 270,000 contracted services to Brookfield Infrastructure's portfolio.

These purchases, along with higher energy prices and booming natural gas production, will give earnings a solid boost over the remainder of 2018.

So what?

Brookfield Infrastructure is poised to grow at a solid clip over the remainder of 2018 and into 2019. While the looming [trade war](#) and Trump's erratic policies pose some risks to its business and growth prospects, they are not particularly severe. By virtue of its wide economic moat, the lack of competition and the global shortage of critical infrastructure demand for Brookfield Infrastructure's assets will remain strong regardless of the state of the economy.

In addition to those defensive attributes, the majority of Brookfield Infrastructure's earnings are contractually locked in, making them highly dependable even if a global economic downturn were to occur. While investors wait for the partnership's stock to appreciate, they will be rewarded by its regular sustainable dividend yielding just over 3%. For these reasons, Brookfield Infrastructure should be a core holding in every portfolio.

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