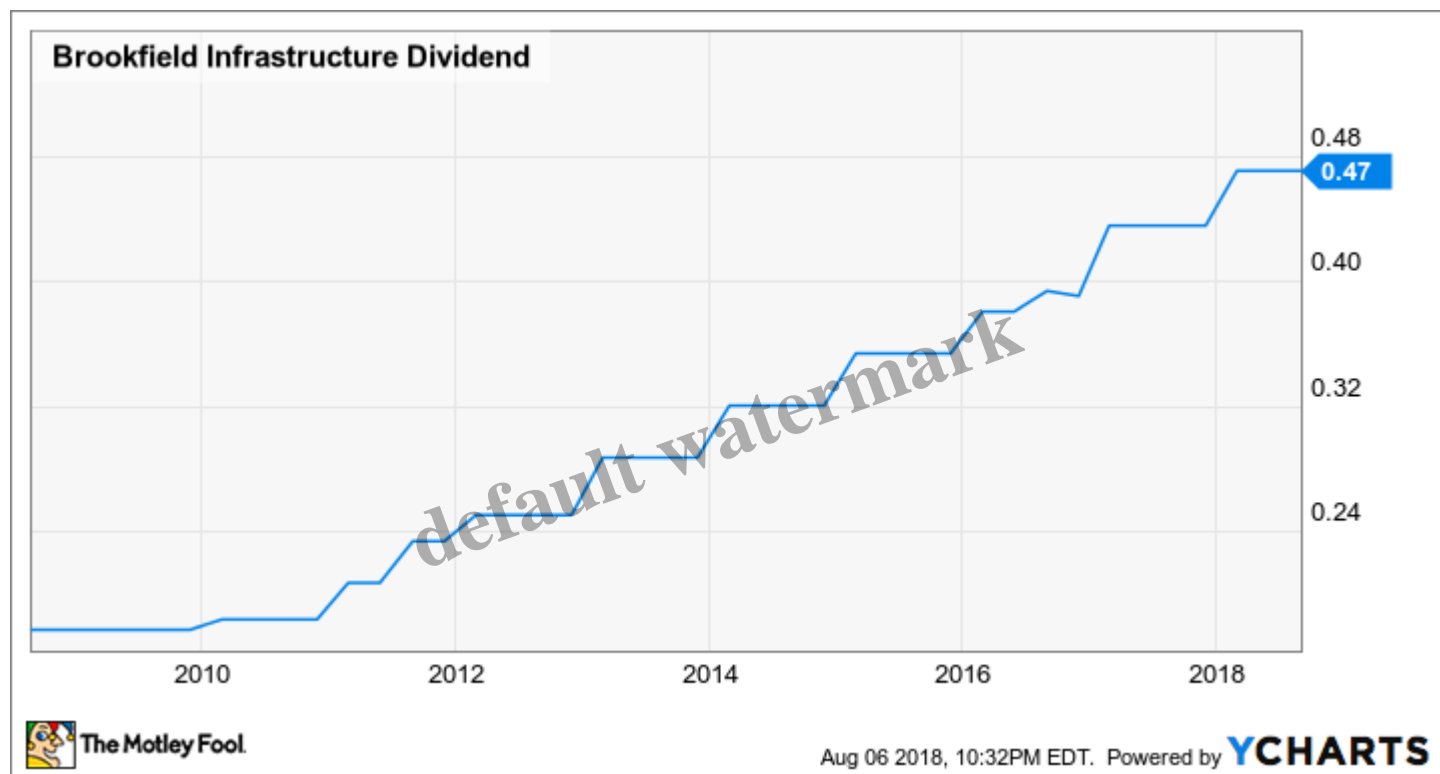


This Quality Dividend Stock Is Growing Sustainably

Description

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)) is the kind of investment that you can buy periodically and hold for a very long time. The focus is on its stable cash distribution and its ability to sustain the cash distribution's growth.



BIP Dividend data by YCharts – 10-year distribution growth track record

Stable cash flow generation to sustain a safe distribution

In the first half of the year, the global infrastructure company generated US\$627 million of funds from operations (FFO) — growth of nearly 12.8% compared to US\$556 million from the same period in the prior year. On a per-share basis, Brookfield Infrastructure saw FFO growth of almost 6%.

In the second quarter, Brookfield Infrastructure generated lower FFO per share of nearly 6.3% compared to the same quarter in 2017 due to asset sales (such as the sale of the Chilean electricity transmission operation), the time required to redeploy the proceeds into suitable investments, as well as a stronger U.S. dollar, which reduced FFO by about US\$26 million. On a constant-currency basis, organic growth was 8%.

Management expects the higher payout ratio to be temporary and that over the next three to four quarters, the payout ratio will return to normal levels again, helped by management's deployment of

capital.

Brookfield Infrastructure is putting money to work

Last week, management announced that Brookfield Infrastructure and its institutional partners are acquiring **Enercare** for \$29 per share in a transaction valued at \$4.3 billion. This is a roughly 53% premium to the trading price of Enercare stock before the announcement.

Although it seems like Brookfield Infrastructure is paying a high premium on the stock, management “see[s] attractive opportunities to grow the business and continue to create value, leveraging Brookfield’s significant presence in the utility, home building and multi-residential sectors across Canada and the U.S.,” as quoted from the press release. The transaction is expected to close in Q4.

Enercare has a leadership position in its industry in North America. And Brookfield Infrastructure believes Enercare makes a good fit for the company because Enercare generates “stable, long-term cash flows through equipment rentals to a well-established customer base.”

Specifically, Enercare offers residential energy infrastructure, including water heaters, heating, ventilation, air conditioners rentals, as well as other essential home services to about 1.6 million customers per year, and it has a sub-metering business with 270,000 contracted services.



In early July, management announced that Brookfield Infrastructure and its institutional partners are acquiring a natural gas gathering and processing business from **Enbridge** for an enterprise value of US\$3.3 billion.

The business consists of 19 natural gas processing facilities with total operating processing capacity of 3.3 billion cubic feet per day and 3,550 kilometers of gathering pipelines, with connectivity to major demand markets including the U.S. Pacific Northwest, U.S. Midwest, and Western Canada.

As quoted from the press release, “the transaction is expected to close in two phases, with the facilities subject to provincial regulation expected to close in 2018 and closing of those subject to federal regulation anticipated in mid-2019.”

Investor takeaway

Brookfield Infrastructure has [steadily increased its cash flow generation and cash distribution](#). It aims to

continue building a global and diversified portfolio of quality infrastructure assets to do just that.

Therefore, investors can [buy the quality stock periodically for a long-term hold](#) or on dips to desirable yield points and expect its cash distribution to keep on increasing over time. As of writing, the stock offers a competitive yield of about 4.5%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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