Why This Is My Favourite Utility Stock

Description

Despite the fact that the stock seemingly haven't done much in the last 1.5 years or so, **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP) is still my favourite utility stock.

Many investors applaud **Fortis** for its stability and safety. I won't deny that Fortis is absolutely a quality utility. However, I like Brookfield Infrastructure better for the following reasons.

Outperformance

Brookfield Infrastructure has greatly outperformed its peers. It delivered returns of about 18% per year on average over the past 10 years, which KO'ed the roughly 6% and 8% rates of returns from the **S&P Utilities Index** and **S&P/TSX Capped Utilities Index**, respectively.

A rock-solid portfolio

Brookfield Infrastructure has a high-quality portfolio of infrastructure assets that are diversified by geography and asset type. It has operations in utilities, energy, transport, and data infrastructure, which generate stable cash flows, have high margins, and have strong internal growth potential.

Its assets can be found in North and South America, Europe, and the Asia-Pacific region. They include regulated distribution and transmission assets (about 39% of cash flow), energy transmission and storage assets (12%), toll roads (18%) and rail assets (13%).

This rock-solid portfolio results in a very safe cash distribution.

A growing dividend

About 95% of Brookfield Infrastructure's cash flows are either regulated or contracted and about 75% are indexed to inflation.

Further, because its assets require low maintenance, the utility has been maintaining high EBITDA margins of 53% or better since 2013. Its recent EBITDA margin is about 56%.

Brookfield Infrastructure has been increasing its cash distribution per unit for a decade. Although management aims for dividend growth of 5-9% per year, Brookfield Infrastructure has actually increased its distribution per unit by 10.8% per year on average in the last three years.

The stock trades roughly where it traded about 1.5 years ago. However, it has actually dipped about 13% from its 52-week high. Currently, it offers a distribution yield of 4.86%, which is a decent starting point to buy some quality shares.

This dividend yield is about 21% higher than what Fortis offers. More important, Brookfield Infrastructure should deliver higher growth than Fortis over the next three to five years.

Investor takeaway

If you're looking for a long-term core holding with above-average stability, steady growth, and a generous dividend, you should consider Brookfield Infrastructure. It currently offers a distribution yield of nearly 5%, which is attractive.

Investors will be happy about its 5-9% per year distribution growth, too. The next dividend hike will be coming in the next few months. If the stock continues to drop, investors should see it as a gift from the market for the opportunity to buy more shares at a greater discount.

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.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/08
Date Created
2018/09/05

Author
kayng