



Brookfield Infrastructure Partners L.P. (TSX:BIP.UN) Loads Up the Coffers for Another Spending Spree

Description

One of the world's largest publicly listed infrastructure investments **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) has performed poorly in recent months. Markets fearful of higher interest rates, a stronger U.S. dollar, and growing inflation have punished Brookfield Infrastructure, causing it to be down by almost 9% for the year to date. While this indicates that investors are disappointed about the partnership's outlook, it has created an opportunity for those seeking a high-quality, growth-oriented, income-producing stock with significant emerging markets exposure.

Now what?

Brookfield Infrastructure, during the first half of 2018, embarked on three significant deals. These were the US\$1.1 billion purchase of **AT&T Inc.'s** large-scale data centre business, the US\$3.3 billion acquisition of **Enbridge Inc.'s** western Canadian midstream operations and the US\$3.3 billion acquisition of Enercare Inc., a North American energy infrastructure business.

Those deals, which saw the partnership's share come to just over US\$1.3 billion, all contributed to expanding and deepening its business — the most notable being its entry in data centres, which are a key requirement in the communications-and-information-intensive age in which we now live. Brookfield Infrastructure also sold its Chilean electric transmission business for US\$1.3 billion in March 2018, which, while impacting earnings for its utilities operations, helped to bolster the partnership's coffers.

Now, Brookfield Infrastructure has moved to add further funds to its balance sheet, as it positions itself to deploy additional capital for a combination of organic growth initiatives and acquisitions. It is doing this through a \$250 million preferred unit offering, which — along with liquidity of US\$4 billion at the end of the second quarter — will give Brookfield Infrastructure the opportunity to make other opportunistic and accretive deals.

Brookfield Infrastructure has a significant backlog of projects it plans to develop to expand its existing businesses. These include a planned US\$1 billion investment in its utilities operations, US\$599 million to expand its transportation business, and US\$219 million allocated to building out existing energy

infrastructure.

What many investors fail to realize is that Brookfield Infrastructure's earnings growth is virtually guaranteed.

You see, in many cases, it operates in what can be characterized as heavily regulated oligopolistic markets, where the infrastructure it owns is vital to economic activity. That provides Brookfield Infrastructure with solid defensive credentials during economic downturns while also assuring growth during periods of economic expansion.

In fact, during times of economic growth, the partnership's earnings should outstrip inflation as well as higher financing costs caused by rising interest rates. This is because demand for the utilization of Brookfield Infrastructure's assets will grow at a rapid clip, and a significant proportion of its earnings are contracted through inflation-linked agreements. The ever-expanding [global infrastructure gap](#) will also act as a powerful tailwind for Brookfield Infrastructure, providing it with plenty of opportunistic deals as governments globally seek private partners to close the divide.

It is these characteristics coupled with the partnership's focus on [recycling capital](#) through acquiring undervalued assets that Brookfield Infrastructure is well positioned to achieve its targeted 6-9% growth.

So what?

Brookfield Infrastructure's unique mix of growth and defensive attributes coupled with a regularly growing distribution, which yields almost 4%, make it a must-have core holding for every portfolio.

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