

A Top Canadian Dividend Stock to Buy in October

Description

For a successful investing strategy, it's important that you diversify your portfolio by taking positions in different sectors and geographical locations. In Canada, there are not many options available to investors, as our market is heavily exposed to highly cyclical energy and resource sectors.

Still, there are a few companies with a strong presence in emerging markets. **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is one my favourites. Let's have a deeper look to find out if this dividend stock has the right characteristics to give your portfolio the diversification it needs.

Strong global presence

The Toronto-based [Brookfield Infrastructure](#) owns and operates utilities, transport, energy, and communications infrastructure companies globally. BIP manages about US\$30-billion portfolio with assets spanning five continents.

The company manages utilities and power transmission system in North and South America, 37 ports in North America, the UK, Australia and Europe, approximately 3,800 km of toll roads in South America and India, and large rail operations in Australia and South America.

The diversified nature of the portfolio – both by geography and asset type – helps mitigate political and economic risks. The other advantage of owning large infrastructure stocks is that these businesses have high barriers to entry that keeps competition limited.

Business strategy

BIP's strategy is to buy distressed assets, turn them around, and then sell them with hefty margins. These attributes make this stock attractive for both income and growth investors.

The company's objective is to generate a long-term return of 12 -15% on equity and provide sustainable distributions for unitholders while targeting annual distribution growth of 5-9%. To achieve these returns, BIP must constantly look out for assets that are good in cash generation and are selling at a discount.

The company's deal activity in 2018 shows that BIP has been very aggressive on this front. Its latest acquisitions include a residential energy services provider **Enercare Inc.**, the Western Canadian natural gas gathering and processing assets of **Enbridge Inc.**, and data centre operations from **AT&T Inc.**

Attractive valuations

Trading at \$51.84 at writing, [Brookfield Infrastructure stock](#) is down about 8% this year on concerns that rising interest rates may hit the company's free cash flows and hurt the distribution.

Besides interest-rate pressures, there are also worries related to the company's Brazil portfolio, where political and economic uncertainty could hamper the future growth and profits.

Despite these challenges, I find BIP stock an attractive dividend stock to earn growing income with a potential of an upside move. Of the 11 analysts who rate the BIP stocks, there are 10 buy calls with the average 12-month price target is \$60.25.

If you like infrastructure stocks, then BIP is a good pick, especially when the company is expanding and its growth prospects look bright.

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

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Author

hanwar

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