This Has to Be the Best Dividend-Growth Stock for Any Portfolio

Description

Income-hungry investors can't go wrong by investing in globally diversified infrastructure giant **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP). While the partnership disappointed by missing analysts estimates, it still delivered a stronger performance than the headline numbers indicate. That combined with its solid growth prospects, strong defensive characteristics, and compelling 4% yield make it a core holding for any portfolio, particularly when it appears attractively valued after losing 7% since the start of 2018.

Brookfield Infrastructure reported net income of US$5 million for the third quarter 2018, which was less than half than the US$11 million announced for the equivalent period in 2017, while funds flow from operations fell by just under 8% to US$278 million.

That decline in earnings and funds flow can be attributed to a stronger U.S. dollar, which sharply impacted other currencies, notably those in the emerging markets of Brazil, Colombia, and Chile, where Brookfield Infrastructure operates. The sale of Brookfield Infrastructure's Chilean electricity transmission business caused overall earnings to fall, and a one-off charge against Brookfield Infrastructure's transportation operations further negatively affected its overall bottom line.

Latest acquisitions to bolster earnings

Brookfield Infrastructure's earnings should grow at a solid clip for the foreseeable future because it completed a series of acquisitions during the third quarter. These included the first of two Indian toll roads for US$200 million, closing the US$975 million purchase of **Enbridge's** Western Canadian midstream energy business and the Enercare deal valued at $4.3 billion.

Brookfield Infrastructure is also looking to acquire a 1,500 km Indian natural gas pipeline, which spans the nation from east to west, for US$1.1 billion, of which US$200 million will constitute the partnership's share. If this is successful, it will bolster Brookfield Infrastructure's exposure to what is characterized as the world's fastest-growing major economy which will see a surge in demand for energy over coming years.

The partnership also entered a US$750 million deal to acquire a large-scale South American data centre currently under construction in Brazil, of which Brookfield Infrastructure's share will be US$200 million. That follows on from the partnership choosing to enter the data centre business by acquiring **AT&T's** large-scale data centre business for $560 million in mid-2018. Brookfield Infrastructure anticipates closing that deal during the fourth quarter. Acquiring data centres is an important growth initiative because demand for the infrastructure required to support the digital boom and shift to computing is set to explode as they become an even more crucial part of modern society and business.

The significant expansion of North American oil and natural gas production will further boost Brookfield Infrastructure's earnings. For the third quarter, its North American natural gas transmission business experienced a 23% year-over-year increase in the volumes transported, giving its earnings a solid lift.

That trend will continue as shale oil drillers continue to ramp up activity to take advantage of higher oil and seasonal spike in natural gas prices.

Those deals will support Brookfield Infrastructure's target of 12-15% total annual return from invested capital as well as to continue hiking its annual distribution, which the partnership has increased for the last 10 years, giving it a handy 3.6% yield.

Considerable liquidity

The partnership is well positioned to complete further opportunistic deals when they present themselves. It finished the third quarter with total liquidity of US$4.3 billion and is focused on completing a capital-recycling program over the next six to 12 months; Brookfield Infrastructure intends to generate after-tax proceeds of US$500 million to US$1 billion. To achieve that target, the partnership will divest itself of a range of mature businesses, which it believes will no longer grow at an exceptional double-digit rate.

Why should Brookfield Infrastructure be a core holding?

Brookfield Infrastructure remains a top means of playing global economic growth, especially considering its recent acquisitions and plans to recycle capital. That will be enhanced by the ever-widening global infrastructure gap, which requires US$3.7 billion to be spent on infrastructure annually between now and 2035 and will act as a powerful tailwind.

The partnership's appeal is enhanced by its wide economic moat and the contracted nature of much of its earnings, which, along with relatively inelastic demand for the utilization of its assets, protects Brookfield Infrastructure from economic slumps. It is these defensive characteristics and its regular distribution which further enhance Brookfield Infrastructure's appeal as a core holding for every portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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

Tags

1. Editor's Choice

Date
2025/07/08
Date Created
2018/11/07
Author
mattdsmith