



This Top-Quality Utility Remains on Sale

Description

Although **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) stock has popped more than 11% from the recent dip, the top-quality utility remains on sale.

Sure, the recent “V-shaped” dip was a super opportunity to buy the quality utility, but these kinds of sales disappear in a flash. So, don’t blame yourself if you missed it. More importantly, the stock is still on sale right now with it still down over the last 12 months.



BIP.UN data by YCharts. The chart shows the one-year price action of TSX:BIP.UN.

What's so good about Brookfield Infrastructure?

Brookfield Infrastructure was spun off from **Brookfield Asset Management** in 2008 on the NYSE and 2009 on the TSX. Brookfield Infrastructure is managed by and remains a subsidiary of [Brookfield Asset Management](#). The well-qualified management team behind Brookfield Infrastructure has more than a century's experience in investing in real assets.

Brookfield Infrastructure has a truly diversified portfolio — diversified by sectors and geography. It has infrastructure assets across the utilities, transport, energy, and data infrastructure sectors, which deliver essential goods and services every day. It has 32 businesses across North and South America, Europe, and Asia Pacific.

The management team has the operational expertise to improve the businesses it owns. Furthermore, when businesses mature, it will sell them and recycle the capital in opportunities with the best risk-adjusted returns. Often, management looks for quality assets in distressed markets or businesses, which it can improve on.



Image source: Getty Images

Get income and price appreciation, too

Brookfield Infrastructure's assets have the commonality of generating consistent and sustainable cash flows to support its growing cash distribution, which is much like a dividend (see next section).

From 2009 to 2018, the stock increased its cash distribution at a compound annual growth rate (CAGR) of about 11%. Simultaneously, it increased its funds from operations per unit at a CAGR of about 18%. This means that Brookfield Infrastructure was improving its payout ratio while it was increasing its cash distribution at a double-digit rate. That's quality in my book!

At \$49.33 per unit, the stock offers a yield of about 5%, as it pays out a U.S. dollar-denominated distribution. You'll be happy to know that the stock will be increasing its cash distribution by 5-9% this quarter. So, the forward yield is even higher in the range of 5.3-5.5%!

Thomson Reuters has a 12-month mean target of US\$45.60 per unit on the stock, which represents about 22% near-term upside potential. This is a good indicator that the stock is still undervalued.

Tax on the dividend

From first-hand experience of owning TSX:BIP.UN in an RRSP, I got the full cash distribution; by owning it in a TFSA, I got a roughly 0.1% deduction (i.e., a negligible deduction) in 2018. The situation should be similar for 2019. In other words, investors can own the quality utility in their RRSP or TFSA with no tax surprises.

Investor takeaway

[Brookfield Infrastructure](#) is a top-quality utility that can be bought now and on any meaningful dip for almost any portfolio — especially for conservative income portfolios.

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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