



## Fortune Rains Down on the Investors of This Top Stock

### Description

It's not a stroke of luck that **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) just increased its dividend by a solid 6.9% as the company reported its fourth-quarter and full-year 2018 results.

### Why Brookfield Infrastructure makes a great dividend stock

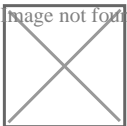
Brookfield Infrastructure owns and operates a diversified portfolio of high-quality infrastructure assets, which generate sustainable and growing cash flows over time.

The company prudently aims for a payout ratio that's 60-70% of funds from operations (FFO). The remaining cash flow is used as maintenance capital and for reinvesting back into the business.

Brookfield Infrastructure's portfolio is diversified by asset type and geography. It generates stable cash flows that are largely regulated or contracted from 32 businesses that span across utilities, transport, energy, and data infrastructure. Its operations can be found in the Americas, Europe, and Asia Pacific.

Because of the diversity, quality, and nature of its portfolio, Brookfield Infrastructure has above-average stability. This is reflected in its stock, which has a below-average beta. As well, it can [healthily increase its dividend](#) that's supported by stable cash flow growth.

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### 2018 results

In 2018, Brookfield Infrastructure's FFO increased by 5% to US\$1.2 billion and organic growth was a solid 8%. However, its FFO per unit remained the same at US\$3.11 compared to 2017. It also implies a 2018 payout ratio of 75%.

The zero growth in FFO per unit had partly to do with a 1.3% increase in outstanding units as well as a stronger U.S. dollar against the other currencies that Brookfield Infrastructure earns. Adjusting for the impact of foreign exchange would imply a payout ratio of 69%, which is within management's targeted range.

## Dividend growth

Brookfield Infrastructure has paid a cash distribution since it was publicly listed in 2008 and has paid a growing cash distribution every year since 2009.

The cash distribution is similar to a dividend, except that it may comprise interest and dividends that may be taxed differently. Brookfield Infrastructure is a qualified investment for RRSPs/RRIFs, RESPs, RDSPs, and TFSAs.

Brookfield Infrastructure's three- and five-year cash distribution growth rates are 9% and 9.5%, respectively. Management aims for distribution growth of 5-9% per year, and it just increased the distribution by 6.9%.

## Is Brookfield Infrastructure a good buy right now?

**Thomson Reuters** has a mean 12-month target of US\$45.70 per unit on Brookfield Infrastructure, representing near-term upside potential of more than 16%.

Based on the bigger annualized cash distribution of US\$2.01 per unit, the stock offers a yield of about 5.1%, which is fair for some buying. Any [meaningful dips](#) on the stock would be a great buying opportunity.

### 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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