



## 2 Top Canadian Stocks to Cash in on Colombia's Emerging Economic Boom

### Description

After four years of weakness, [Colombia's economy](#) appears poised to soar with the International Monetary Fund (IMF) predicting that gross domestic product (GDP) will expand by 3.5% in 2019 and then by 3.4% in 2020. That rate of growth is one of the highest in Latin America and more than double the 1.5% forecast for Canada, highlighting the considerable opportunities in the Andean nation.

Such a solid spike in GDP will spark greater demand for energy, particularly electricity as well as natural gas in a country facing an [emerging energy crisis](#). A shortage of investment in aging infrastructure and dearth of major natural gas discoveries in recent years coupled with a rapidly growing population and strong economic growth have triggered this crisis.

Those conditions have created opportunities for Canadian companies which are seeking to boost earnings growth and deliver value for investors.

### Colombia's largest independent natural gas producer

Driller **Canacol Energy** ([TSX:CNE](#)) has successfully pivoted its operations from oil to what is considered the cleanest fossil fuel available, natural gas. It has amassed hydrocarbon reserves of 559 billion cubic feet (Bcf) and is focused on expanding its access to pipeline, storage and processing infrastructure in Northeastern Colombia, where there is a substantial supply shortage.

For 2019, Canacol anticipates that natural gas sales will reach 215 million cubic feet (Mcf) by June which is almost double the 113 Mcf reported for 2018. That, along with growing demand, declining output from Colombia's aging offshore gas fields and a dearth of major discoveries has allowed Canacol to lock-in favourable pricing for the gas it sells domestically.

Canacol has contracted take or pay wellhead pricing of US\$4.97 per Mcf, which is almost double the Henry Hub benchmark and more than double the Canadian AECO price. That will give its profitability and earnings a healthy boost while endowing it with a significant financial advantage over its peers operating solely in North America.

With an exploration success rate of 83%, Canacol's reserves will continue growing at a solid clip, supporting higher production and boosting its [market value](#).

## Diversified global infrastructure giant

**Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is one of the largest [publicly listed plays](#) on infrastructure available to investors. It owns a globally diversified portfolio of energy, transport and telecommunication infrastructure spanning North and South America, Europe, Asia and Australia.

In late 2017, Brookfield Infrastructure agreed to acquire a 53% stake in **Gas Natural S.A. ESP** in a US\$560 million deal, giving it and its institutional partners a controlling interest in Colombia's second largest regulated gas distribution utility. As at the end of that year, the partnership owned 11% of the utility and has continued to acquire further holdings as part of its staged approach to completing the deal.

That has in turn boosted Brookfield Infrastructure's income and growth prospects while giving it exposure to one of South America's fastest growing economies.

Its stablemate, **Brookfield Renewable Partners** [acquired](#) Colombia's third-largest electric utility Isagen in a US\$2.2 billion deal in 2016. The Colombian government utilized those proceeds to fund its 4G roads infrastructure program.

Brookfield Infrastructure's move into digital data infrastructure through the acquisition of leading Brazilian hyperscale data centre provider Ascenty, through a partnership with **Digital Realty**. It has stated that it is looking for tuck-in additions to that deal, which leaves it nicely positioned to make further data centre acquisitions in other South American nations like Colombia, where demand for internet and reliable data hosting is growing at an exponential clip.

A combination of severe fiscal pressures, aging infrastructure and a lack of investment in public services makes Brookfield Infrastructure a partner of choice for the Colombian government to close the Andean nation's widening infrastructure gap. That will serve as a powerful tailwind for Brookfield Infrastructure.

While investors wait for the market to recognize Brookfield Infrastructure's true value, they will be rewarded by Brookfield Infrastructure's regular sustainable distribution yielding almost 5%.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:CNE (Canacol Energy Ltd)

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