A Top Dividend Stock for Your Buy-on-the-Dip Strategy

Description

A global plunge in stocks yesterday was a good reminder to investors that there are many powerful headwinds around that could derail the upward journey of our markets.

For those who are fully invested, a sharp correction is, of course, bad news. But there are many investors who missed the previous rallies and who are desperate to see the prices come down so that they could buy their top picks at reasonable valuations.

Here is my top stock for a buy-on-the-dip moment when and if it knocks your door.

Brookfield Infrastructure Partners

The shares of Toronto-based **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP) have had a great run so far this year. They surged more than 24%, massively beating the gains in the benchmark **S&P/TSX Composite Index**, which expanded 12% during the period.

Trading at 58.43, Brookfield stock is way ahead from the analysts' 12-month consensus price of $47 a share, and it seems the stock is ripe for a correction if the sell-off in equity markets accelerates amid renewed tension between the U.S. and China over their trade dispute.

BIP is a great stock for the buy-and-hold investors due to the company's unique business model, which allows investors to take exposure to the company's very diversified operations.

BIP owns and operates utilities, transport, energy, and communications infrastructure companies globally. BIP manages about US$30 billion portfolio with assets spanning five continents.

What makes BIP stock attractive?

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

With this impressive portfolio, what's really attractive for investors is the company's excellent track record in paying dividends. The company's main objective is to generate a long-term return of 12-15% on equity and provide sustainable distributions for investors while targeting annual distribution growth of 5-9%.

When you look at numbers, there is no doubt that the company has been successfully executing its plan. Since 2008, it has delivered compounded annual total returns of 15%. In the second quarter, BIP generated $337 million funds from operations, representing an increase of 15% from the same period a year ago.

Results for the quarter benefited from both organic growth and contributions from capital recently deployed into new investments. FFO grew organically by 10% relative to the prior year, marking the second consecutive period of growth that exceeded the company's annual long-term target of 6-9%.

"The meaningful increase in our results reflects the impact of the most recent phase of our asset-rotation strategy," said Sam Pollock, CEO of Brookfield Infrastructure, in the statement. "We have invested or committed to invest a further $1.3 billion into four high-quality businesses predominantly in North America and India. These businesses have strong going-in cash-on-cash yields that should set the stage for further growth in our results heading into 2020."

Bottom line

At current levels, BIP stock looks expensive with all the good news already priced in. But if you wait on the sidelines, I believe there will be an opportunity to buy this stock cheaper. At the current price, this stock yields 4.48% with an annual payout of $2.63 a share.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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
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Date
2025/09/16
Date Created
2019/08/06
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