



3 Powerful Reasons to Buy Brookfield Infrastructure Partners (TSX:BIP.UN)

Description

An increasingly optimistic outlook for the global economy and firmer commodities will trigger greater demand for infrastructure crucial to conducting business, including ports, railroads, and energy. This will be a boon for **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#)) ([NYSE:BIP](#)). The partnership has a long history of unlocking value for unitholders and, even after gaining 37% since the start of 2019, it is poised to appreciate further, making now the time to buy.

Improved economic outlook

Brookfield Infrastructure's key strength is its diversified portfolio of infrastructure assets, which are critical to economic activity. These include energy utilities, data centres, ports, railroads, toll roads, and telecommunications towers. As the economy strengthens and manufacturing activity in China grows, demand for the utilization of those assets will rise, boosting Brookfield Infrastructure's earnings.

In fact, the International Monetary Fund (IMF) expects the [global economy](#) to perform better in 2020, particularly if the bitter dispute between the U.S. and China regarding trade tariffs is resolved. The Fed's interest rate cut at the end of October will give the U.S. economy a lift and bolster business activity in the world's largest economy.

Global infrastructure shortfall

A powerful long-term tailwind for Brookfield Infrastructure is the widening global infrastructure gap. According to consultancy McKinsey and Company, there is insufficient investment in infrastructure globally with an annual shortfall of up to US\$1 trillion. The G20 believes that shortfall will eventually reach US\$15 trillion.

The shortage of critical infrastructure will lead to greater demand for infrastructure, causing asset values and the fees for utilizing those facilities to rise. That will boost Brookfield Infrastructure's book value and give its earnings a solid lift, particularly with it developing US\$700 million of growth projects and actively recycling capital through the sale of mature assets. It will also create additional

opportunities to recycle capital and for the partnership to expand its portfolio, because public private partnerships will be one of the few means of reducing the shortfall in critical infrastructure.

Predictable and growing cash flow

Brookfield Infrastructure's cash flow and earnings are reliable, because they are highly contracted with 95% of income coming from contracted or regulated sources. The reliability of the partnership's earnings is bolstered by the fact that it operates in oligopolistic industries, which have steep barriers to entry, allowing it to operate to an extent as a price maker rather than price taker.

Those factors, coupled with Brookfield Infrastructure's ongoing focus on expanding its portfolio of infrastructure assets, focus on boosting margins, and because many of its contracts are inflation linked, mean that earnings will continue to grow.

Foolish takeaway

Brookfield Infrastructure has a long history of delivering value for investors. For the reasons discussed, the partnership will continue to unlock strong returns and achieve the 6-9% growth for funds from operations (FFO) that it has targeted. That will not only ensure the sustainability of Brookfield Infrastructure's distribution but also support further hikes.

Brookfield Infrastructure has increased its distribution for the last 11 years straight to be yielding a tasty 4%. When the characteristics discussed are considered in conjunction with Brookfield Infrastructure solid [defensive attributes](#), it becomes clear that the partnership remains one of the best long-term growth plays for any investor seeking to create wealth.

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