



Brookfield Infrastructure (TSX:BIP.UN) Is Poised to Soar Higher in 2020

Description

Global infrastructure giant **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) has rallied 37% since the start of 2019 and is poised for [even greater](#) gains in 2020.

The company is on track for higher earnings growth, recently announcing that with its partners it had acquired 100% of an Indian company that owns 130,000 telecommunications towers in a US\$3.7 billion deal.

Brookfield Infrastructure has contributed US\$375 million to the transaction, which will give the business a presence in what is ranked by the International Monetary Fund (IMF) as the world's fastest-growing major economy.

The IMF predicts that India's gross domestic product (GDP) will expand by 6.1% in 2019 and by a whopping 7% in 2020. The country also has one of the world's fastest-growing smartphone markets, indicating that demand for telecommunications towers and other cellphone infrastructure will grow at a solid clip, giving Brookfield Infrastructure's earnings a solid lift.

Latest deals to boost earnings

The partnership also announced that it intends to acquire **Cincinnati Bell** (NYSE:CBB) for US\$2.6 billion, which values the telecommunications company at US\$10.50 per share, or 36% higher than its closing price before the deal was revealed.

That will give Brookfield Infrastructure a solid presence in the U.S. telecommunications industry and further bolster earnings.

Cincinnati Bell is expecting to generate up to US\$1.6 billion in revenue for 2019 and an EBITDA of US\$400 million to US\$410 million.

For the nine months ending 30 September 2019, Cincinnati Bell reported that revenue shot up by an impressive 17% to US\$1.1 billion, indicating that it was on track to achieve its full-year guidance.

The telecommunications company generates 57% of its revenue from the provision of fibre optic cable and related services to consumers, small and big business.

The deal gives Brookfield Infrastructure a leading U.S. presence in the provision of fibre optic cables to homes and businesses, which will experience considerable growth because of steadily rising demand for high speed data, voice and entertainment services.

The partnership is also advancing its purchase of railroad company **Genesee & Wyoming**, giving Brookfield Infrastructure a portfolio of freight railroads across 42 U.S. states, four Canadian provinces, Australia and the U.K.

On completion, that acquisition will further lift earnings and diversify Brookfield Infrastructure's global presence.

The nature of Brookfield Infrastructure's assets, including operating in oligopolistic markets and that 95% of its earnings come from regulated or contracted sources, improves their certainty and protects them from economic downturns. The inflation linked nature of 75% of those contracts also ensures that earnings from existing assets will continue to grow.

The growing global infrastructure gap, which is estimated to represent a shortfall of around US\$1 trillion, will serve as a powerful long-term tailwind for Brookfield Infrastructure.

Foolish takeaway

Brookfield Infrastructure has positioned itself as a leading provider of infrastructure critical for global economic activity across North America, South America, Western Europe, Australia and India.

This will ensure that earnings continue to grow at a steady clip while endowing the partnership with a wide economic moat and strong defensive characteristics, making it an [ideal stock](#) to own during economic slumps.

While unitholders wait for Brookfield Infrastructure's stock to appreciate, they will be rewarded by its sustainable distribution yielding a tasty 4%.

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.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/06/30

Date Created

2019/12/30

Author

mattdsmith

default watermark

default watermark