



## This Top Stock for 2020 Will Soar Higher After Gaining 36% in 2019

### Description

The last year was filled with uncertainty as threats of an all-out trade war, fears of a global recession and rising geopolitical risk, notably in the Middle East, rocked markets, triggering considerable volatility. Despite this considerable volatility, however, stocks marched ever higher, setting new record highs.

The **S&P500** soared to over 3,240 points ending the year up by 27%, while the **S&P/TSX Composite Index** ended 2019 up by almost 18%. There are signs that even allowing for heightened geopolitical tensions in the Middle East after recent U.S. airstrikes, stocks are poised for another strong year.

One of my top picks for 2019, **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) delivered an impressive 36% for unitholders in 2019 and is poised to produce another solid year for 2020.

### Globally diversified portfolio

Brookfield Infrastructure owns a globally diversified portfolio that's critical to economic activity, including ports, railroads, toll roads, energy utilities, data centres and telecommunications infrastructure.

Through its strategy of capital recycling, where it sells mature operations and opportunistically acquires undervalued businesses Brookfield Infrastructure's asset value and earnings have grown at a steady clip.

For the first nine months of 2019, Brookfield Infrastructure's funds from operations (FFO) and adjusted FFO (AFFO) shot up by a healthy 13%, while adjusted earnings grew by 10%. It was this solid financial performance that was responsible for boosting Brookfield Infrastructure's market value.

Brookfield Infrastructure pays a regular quarterly distribution, which it has hiked for the last 11-years straight to be yielding a tasty 4%. The payment is sustainable when considered that the partnership had a payout ratio of 74% for the first nine months of 2019.

There is every indication that Brookfield Infrastructure will further increase its distribution because of growing earnings and that sustainable payout ratio.

## Acquisitions will boost earnings

Brookfield Infrastructure is in the process of making further accretive acquisitions, which will lift earnings, having entered into an agreement to buy **Cincinnati Bell Inc.** in a US\$2.6 billion deal.

This will significantly bolster its portfolio of telecommunications assets and presence in the world's largest economy the U.S. The partnership is also advancing the US\$8.4 billion deal to acquire the world's largest short line railroad operator **Genesee & Wyoming Inc.**, which owns a portfolio of 120 railroads predominantly in North America.

During 2019, Brookfield Infrastructure completed the US\$540 million purchase of a two operational natural gas pipelines in Mexico and the US\$3.7 billion acquisition of an Indian company, which owns 130,000 communications towers.

Those acquisitions will give Brookfield Infrastructure's earnings an immediate boost as will the deals in progress as they are completed.

Brookfield Infrastructure took the opportunity to reload its coffers through a fully subscribed US\$750 million equity raising in July 2019 and a US\$500 million debt offering in October. The proceeds of these were earmarked for additional acquisitions and general capital requirements.

## Solid defensive attributes

Brookfield Infrastructure is not only an ideal growth stock, but also possesses considerable defensive characteristics, making it a consummate hedge against rising uncertainty over the global economic outlook.

Brookfield Infrastructure possesses a wide economic moat and operates amid oligopolistic markets with steep barriers to entry, meaning that it can serve as a price maker rather than price taker, thereby protecting its earnings.

Most of the partnership's revenue is earned from regulated and contracted sources, further [guaranteeing its income](#).

As a result of those solid defensive characteristics, Brookfield Infrastructure has a beta of 0.82, indicating that it is significantly less volatile than many other stocks and the market as a whole.

This enhances its potential to deliver value over the long term, making Brookfield Infrastructure the ideal stock with which to build wealth.

## Foolish takeaway

Brookfield Infrastructure is poised to unlock considerable value for unitholders and deliver another solid

year in 2020. An improving global economic outlook will boost demand for the utilization of its infrastructure assets, which, along with the latest acquisitions will give earnings and ultimately Brookfield Infrastructure's stock a healthy lift, making now the time to buy.

## 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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