



Market Selloff: 1 Dividend-Growth Stock at a Bargain Price!

Description

The whipsaw effect of recent stock markets can be painful and dizzying. It is difficult to know how to react in these markets. Yet it is important to trust that the coronavirus crisis will pass, the world will stabilize, and economies will recover. It is impossible to know how long a recovery might take, but it is essential to remain rational and methodical when investing.

Try to maintain focus by thinking like a private business owner. A business owner builds a company not just for the quarterly results but for the next five to 10 years, through success and turmoil. Those who invest in the stock market need to do the same. Remember the reasons you invested in the first place. If you loved the business before the market selloff, then chances are, many of the same justifications remain intact today.

Often the best thing an investor can do is to close your social media/news feed, pull out your pen and paper, and re-evaluate your investment plan and/or wish list. List your top favourite stocks, write down why you like them, why you see yourself holding them for the next 10 years, and at what prices they are attractive. Focus on companies with experienced/proven management, healthy balance sheets and excess liquidity, diversified and growing cash flows, long-term growth trends, and [growing dividends](#). Then take advantage of these glum markets and steadily build your dream portfolio.

Brookfield Infrastructure Partners

One company to consider for your wish list is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). BIP is a manager, operator, and investor in diversified, global infrastructure assets. These assets enable the transportation of resources/goods, people, data, and energy across the world (pipelines, toll roads, ports, and data towers).

Boring safety

While it sounds like a pretty [boring business](#), the truth is, it is boring. Yet adjectives like *boring* and *stable* sound pretty appealing, particularly when words like *recession* and *crisis* are now being thrown

around. In fact, 95% of Brookfield Infrastructure's cash flow is regulated or contracted. Overall, its risks are well hedged and spread out when you consider it is diversified in customer, sector, and geographic exposure. Countries and municipalities rely on BIP's assets to simply function in some instances, so demand for its infrastructure is not going to suddenly cease.

Organic and acquisition growth

While BIP looks essentially like a boring utility, it actually has a nice growth trajectory that makes the story pretty interesting. Management has indicated it should normally achieve 5-9% organic growth. This comes through contracted annual rent escalators (3-4%), expansion/improvement projects (2-3%), and volume-related growth (1-2%). Factors such as volume-related growth may be temporarily stunted by an economic slowdown. Nevertheless, BIP should be able to continue its historical 6% EBITDA CAGR for the next few years.

Unfortunately, last week BIP lost a bidding war to purchase **Cincinnati Bell**. Though disappointing, BIP still has a noteworthy \$1.5 billion plan to recycle mature assets into higher-yielding, higher-growth opportunities. It has ample liquidity (around \$3 billion), which gives it significant opportunities to spend on new assets over the next few years. I suspect a potential recession would actually enable Brookfield to do what it does best: purchase distressed assets, re-organize them, and turn them into long-lasting cash flow machines.

Attractive dividend

Other than its "sleep-well-at-night" qualities, BIP is trading at a bargain price compared to even a few months ago. The stock is trading down about 25% year to date and is now yielding a hefty 5.7%. This is well above its five-year average of 4.5%. The company aims to grow the distribution by 7-9% annually, so this is nice time to lock in a high yield with additional upside. BIP is also set to create a new dual-class corporation structure. This should help create new demand, as new institutional/retail investors and funds add the company to their portfolios.

The bottom line

Given Brookfield Infrastructure's steadily increasing cash flows, rising dividends, and opportunity to expand its portfolio, the present seems like a great opportunity to take a look at this affectionately labelled "growtivity." Right now, in this environment, I like the sounds of that: growth and security combined.

CATEGORY

1. Coronavirus
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. Coronavirus
2. Investing

Date

2025/08/25

Date Created

2020/03/19

Author

robbybrown

default watermark

default watermark