Brookfield Infrastructure (TSX:BIP.UN) Stock Just Plunged: Time to Buy

Description

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) is one of my favourite TSX stocks. This company is capitalizing on a century-long growth opportunity and has a proven record of success.

If you want to profit from the market crash, this stock should be at the top of your list.

Own the best infrastructure

When you buy stock in a company, you essentially buy exposure to its asset base. Whether it's a pharmaceutical drug or a software product, your investment will live or die based on the success of the underlying assets.

Fortunately, Brookfield owns some of the best assets in the world, many of which are irreplaceable.

You can likely guess that Brookfield's portfolio is filled with infrastructure assets. That includes, highways, bridges, ports, cell towers, railroads, pipelines and more. Any piece of infrastructure that a large population requires to live a modern life, Brookfield might own.

As populations rise, more demand is placed on these assets. That makes Brookfield a perfect way to bet on rising global population. But Brookfield is more than just a long-term bet. During a recession, this company can grow even stronger thanks to an active management approach.

Brookfield isn't in the market for *any* infrastructure asset. It likes to take on a bit more risk, betting on projects that face uncertainty in one way or another. For example, if the regulatory environment in Spain becomes volatile, Brookfield might swoop in and buy assets on the cheap. Or, if no one will take the early risk on a project that will take a decade to construct, Brookfield could shoulder the initial hit.

Importantly, this extra risk comes with extra reward. After the uncertainty clears up, Brookfield can sell these mature assets at a steep premium to what it paid. This capital recycling is a permanent part of Brookfield's strategy, resulting in an active portfolio approach.

For example, it recently sold a few mature assets for $1 billion, representing a 17% annualized profit. Brookfield will then redirect this capital into new projects. The current market environment is perfect for companies looking to buy. Now armed with more than $3 billion in liquidity, Brookfield can capitalize on the downturn and load up on discounted infrastructure assets.

Is now the time?

Brookfield stock rarely goes on sale. From 2013 to 2016, shares traded between 1.3 and 1.7 times book value. But starting in 2017, the company's valuation rose to new heights, occasionally approaching 2.5 times book value.

Then the crash began. On March 23, the stock was valued at just 1.2 times book value. And remember, Brookfield has numerous infrastructure assets in its portfolio that are still valued on the balance sheet based on what it paid. The true value today is likely much higher. That's what its recent asset sale suggests.

So, when the stock is trading at 1.2 times book value, you're likely buying the company at a big discount to what shares are really worth.

Unfortunately, this fire sale was a limited time event. Shares popped after the deepest part of the downturn. The stock now trades at 1.7 times book. That's not cheap, but it's not expensive either.

If you want to get exposure to a long-term growth company with a decade-long history of beating the market, now looks like the time to start buying shares. But if shares retest their earlier lows, be prepared to back up the truck.

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