Brookfield Infrastructure Stock (TSX:BIP.UN) Just Became More Attractive

Description

Brookfield Infrastructure Partners stock (TSX:BIP.UN)(NYSE:BIP) is one of the best-performing in the Brookfield suite of companies. Over the past decade, the company's compound annual growth rate is 17.01% — topping the entire Brookfield family.

Over the past three months however, it has underperformed. The company's stock price is down 12.03% year to date. Although it's outperforming the **S&P/TSX Composite Index** (-16.08%), it's trailing most of the Brookfield family of companies.

Brookfield Infrastructure stock split

It's important to note however, that the company's performance has also been impacted by a one-time event: a rarely seen type of stock split. On March 31, the company completed the creation of **Brookfield Infrastructure Corp** (TSX:BIPC)(NYSE:BIPC).

On March 20, each unitholder of record received one share of BIPC for every nine BIP.UN units held. The value of the company did not change; it simply means that the value of Brookfield Infrastructure stock is now spread out between BIPC and BIP.UN shares. In effect, it was a stock split.

On the day of the split, Brookfield Infrastructure's stock dropped by 8.6%.

Increased liquidity

BIPC was created to improve its attractiveness to U.S. institutional and retail investors who are unable or unwilling (due to tax implications) to hold limited partnership units. It will also enable the company to qualify for certain exchanges and Indexes it could not quality for previously.

Case in point is the Canadian Dividend Aristocrat Index, which does not hold limited partnerships. Despite having grown the dividend for 12 consecutive years, Brookfield Infrastructure's stock does not qualify for the Index.

Only **Brookfield Asset Management** (TSXBAM.A)(NYSE:BAM) qualifies. Now that it trades as a corporation, the company and its 12-year dividend growth streak can be included in the Canadian Dividend Aristocrat Index.

The end result? There should be increased demand for the stock and thus, increased liquidity.

Furthermore, the move increases the attractiveness of the company to Canadians as well. Previously, Brookfield Infrastructure stock was best held in a registered account such as an RRSP and TFSA.

Why?

The company's distributions include foreign dividend and interest income, other investment income, capital gains and return of capital, which makes for a complicated tax return if held outside a registered account.

The new corporation will pay out eligible dividends, which means that BIPC units are eligible for the dividend tax credit. Brookfield Infrastructure's stock can now be treated as any other Canadian corporation without any complicated tax requirements.

Attractive valuations

The company's recent underperformance has presented investors with an opportunity. The company is the fastest- growing Brookfield company — a trend that's expected to continue over the next few years.

Brookfield Infrastructure's stock is trading at a cheap 11.09 times forward earnings and at a 23.14% discount to the average one-year estimate of $70.25 per share at writing.

For those willing to take on the risk today, Brookfield Infrastructure will likely return double digits once the markets stabilize.

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