



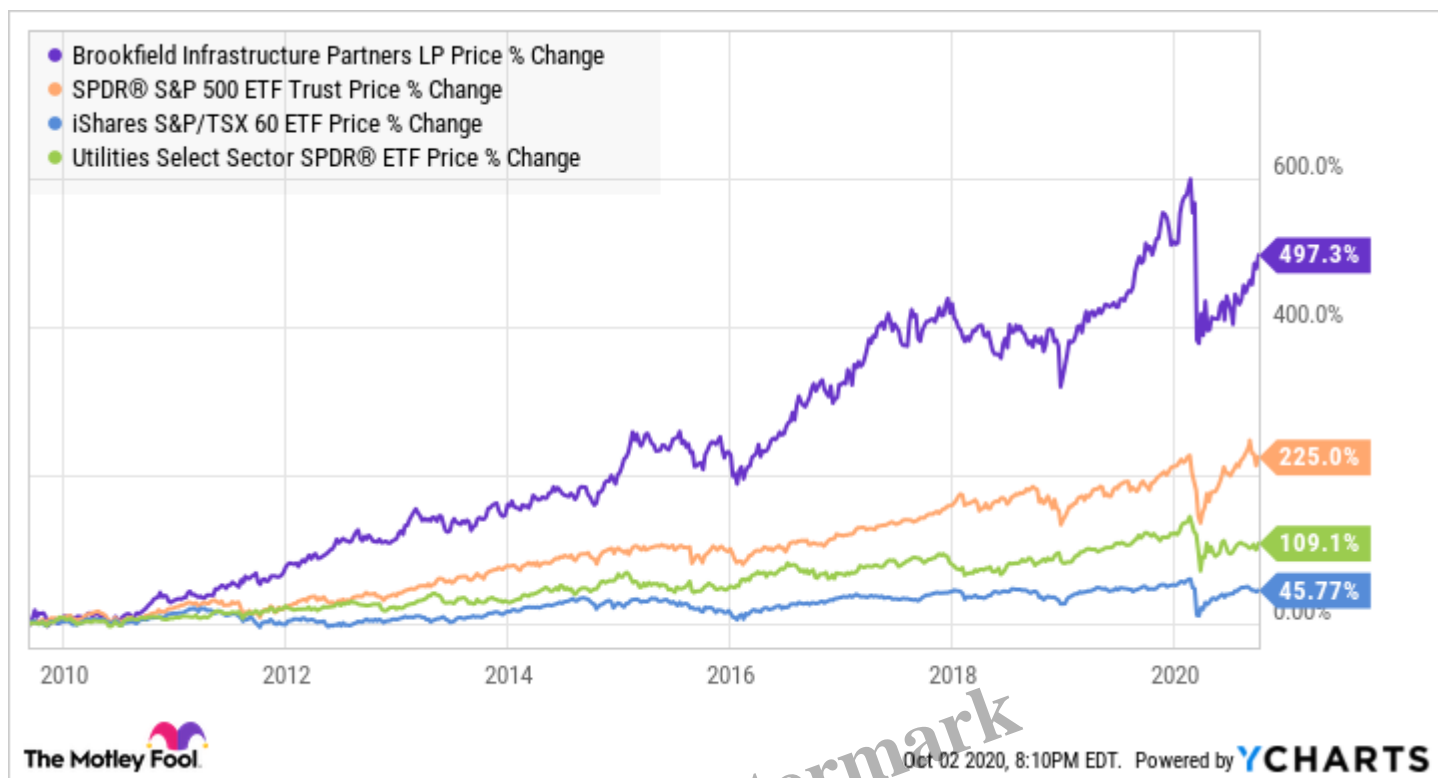
This Dividend Stock Will Pay You for the Rest of Your Life

Description

If you're looking for a passive investment that will [pay you for the rest of your life](#), this is it. In fact, **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is a dividend stock that will *increase your payout* over time. It's a stock you can buy, hold, and accumulate on dips.

The setback of the stock, due to pandemic disruptions from global economic shutdowns, offers the perfect opportunity for long-term investors to buy the above-average growth utility.

Year to date, BIP stock is down marginally by about 2% at writing. It has outperformed in the long run and will continue to do so.



Data by YCharts. Chart showing BIP stock's outperformance against the U.S. and Canadian stock markets and its peers.

Minimal pandemic impacts

As you can guess by BIP stock's +40% rebound from its March market crash low, BIP's global infrastructure businesses that provide essential services have had minimal impact of only about 5% in the first half of the year (H1) from disruptions.

In fact, management projects a continued recovery through the H2 2020 with expected full-year funds-from-operations (FFO) per unit growth. (Note that H1 2020 witnessed FFO per unit falling nearly 3.9% year over year.)

The utility has a strong financial position to navigate through any hardships the pandemic might throw at it. Specifically, it has liquidity of US\$3.5 billion, an investment-grade S&P credit rating of BBB+, largely asset-level debt, and superb corporate interest coverage of 20 times.

A long-term strategy that protects its dividend

Brookfield Infrastructure is a value investor with a long-term, counter-cyclical strategy. It buys and operates infrastructure assets or businesses with a focus on quality, revenue growth, and cash flow.

As an experienced operator, it's able to perform value-add actions to optimize acquired assets/businesses and may choose to sell them when they mature.

After that, it redeploys the cash flow for higher returns. Rinse and repeat. This capital recycling and

compounding of cash flow set it apart from other utility businesses that tend to buy and hold assets.

For example, BIP sold a North American electricity transmission operation in July for a rate of return of 21%, generating proceeds of US\$60 million for BIP. It's also working on selling two more assets that will generate +US\$700 million of liquidity.

Recently, the company expanded its data infrastructure portfolio via a large Indian telecom tower acquisition. It's also on the lookout for compelling unique opportunities in the hard-hit energy sector, particularly in U.S. midstream infrastructure assets.

The Foolish takeaway

BIP is [set to outperform in 2021](#) as the global economies recover and enjoys a full-year contribution from the newly acquired telecom tower acquisition.

The stock appears to have stabilized above its 50-day simple moving average. It's therefore reasonable to nibble some shares for a starter position. At writing, BIP stock yields 4.06%. It intends to increase its cash distribution by 5-9% per year going forward.

However, keep in mind that it could experience another crash to the \$45 per share or lower levels if the economies of the geographies it operates in are forced to shut down again. If that occurs, investors should jump on the buying opportunity for greater dividend income and long-term total returns.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

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. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks

- 3. Investing
- 4. Stocks for Beginners

Date

2025/09/10

Date Created

2020/10/11

Author

kayng

default watermark

default watermark