



Passive-Income Investors: This TSX Stock Could Be a Life Changer!

Description

Finally, patient investors in passive-income stocks are starting to see the fruit of their waiting. Up until October, many dividend stocks had languished behind the hype and excitement surrounding technology stocks. Yet with a resolution (albeit still unclear) around the U.S. presidential election and the potential for an effective COVID-19 vaccine, the market is suddenly loving the faithful passive-income stocks.

If you are looking for stable income in a post-pandemic future, I have one TSX stock that should do very well for many years ahead.

Things are looking up for this passive-income stock

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)) ought to be a staple passive-income stock for every investor's portfolio. BIP is one of the largest purely infrastructure businesses in the world. It owns and manages assets that are essential for the operation of the global economy. These include ports, pipelines, electric grid infrastructure, toll roads, and data/wireless infrastructure.

BIP recently announced a relatively strong third quarter. Fund flows from operations (FFO) still grew by 8% to \$0.79/share over last year. It saw meaningful FFO growth across its segments including 6% in its utilities, 5% in its transport segment, 15% in its energy business, and [a whopping 40% in its quickly growing data infrastructure business](#). If it wasn't for a strong U.S. dollar and a weak Brazilian real, the company would have recognized constant-currency growth of 16%.

Year to date, FFO is only up 3%. However, this quarter simply demonstrates what the growth story looks like in a slightly more stable economy. I am most excited for this stock's growth potential in a post-pandemic world, where economic activity truly picks up to normal levels.

Passive income and active growth plan

Although 2020 has been slightly challenging for the company and the stock, 2021 could create a

meaningful uptick in activity. Low interest rates mean the company can finance new projects and refinance current assets at an incredibly low cost of capital. It recently issued \$500 million of 12-year notes for an all-time low 2.855%!

Combine that with very stable, contracted cash flows from its assets, and BIP will generate very attractive yield spreads on capital. Currently, it has an adjusted FFO (AFFO) yield of around 6%. Yet I think it could easily do better in this environment. Considering an already strong yield, low cost of capital, and then the potential for 6-9% annual organic growth (management's projection) and BIP is looking like a passive-income growth machine.

Many drivers of growth ahead

In addition, a currently troubled economic environment means BIP will have greater opportunities to keep acquiring assets at attractive prices. Through its current liquidity and capital-recycling program, BIP should have around \$4-5 billion of deployable liquidity over the next few years.

It already has the geographic exposure and management expertise to deploy capital across the world. It can essentially put money to work, wherever and whenever it sees value. BIP sees ample opportunities in data, midstream, and transportation infrastructure, where sentiment and valuations have reached multi-year lows.

The Foolish takeaway

Beyond all this, BIP pays a great 4% dividend. The dividend only takes up around 78% of FFO, but it will likely normalize to a range of 70-75%. The fact is, beyond just passive income, [this stock has some incredible days ahead](#). The stock has experienced a nice +10% rebound as of late, yet I would be buying for long-term positions now!

CATEGORY

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

Date

2025/07/05

Date Created

2020/11/14

Author

robbybrown

default watermark

default watermark