



A \$94 Trillion Opportunity? This Sector Needs to Be on Your Radar

Description

US\$94 trillion is an insanely large amount of money. For context, that's four-and-a-half times the size of the United States's economy and 55 times larger than Canada's economy! Yet that's the amount of money experts believe will be spent on global infrastructure over the next 20 years.

From India to Latin America, there's an insatiable appetite for infrastructure spending. That's because corporations and governments recognize that every dollar spent on building roads, railways, and power plants delivers dollars in economic activity.

The fact that these are hard assets with lifespans of multiple decades makes them an ideal target for long-term investors. Fortunately, one of the largest infrastructure investors in the world is publicly listed in Toronto.

Brookfield Infrastructure Partners

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)) is a [must-have dividend stock](#) for any income-focused investor. The global infrastructure networks company has increased its distributions by a compound annual rate of 10% since 2008 and is showing no signs of slowing down. The stock currently offers an exciting 3.6% dividend yield.

Solid free cash flow

The company's core business is more than resilient to sustain dividend payouts, let alone support an increase going forward. Brookfield Infrastructure owns and operates infrastructure assets such as data centres, cell towers, and natural gas pipelines. It also operates storage facilities, railroads, and toll roads.

The properties have proved to be highly reliable in generating free cash flow (FCF) regardless of the on goings in the economy. The growth-focused company is seeking to generate total returns of about 15% per year over the long term.

In its most recent quarter, Brookfield Infra generated about \$560 million in free cash flow. Annualized, that's over \$2.2 billion. Meanwhile, the company's market cap is just \$29 billion. That means it's trading at a price-to-FCF ratio of 13. In my opinion, that's fair value.

Valuation

Brookfield Infrastructure boasts of a price-to-book ratio of 5.42, a 3.6% dividend yield, and a debt-to-equity ratio of 1.2. Debt is used sparingly to finance operations. Excellent performance is further supported by operating margins of 25%.

In addition to being a dividend play, Brookfield Infrastructure's diversified asset portfolio means it is well insulated from downturns that might occur in one segment of the business. It is, therefore, an ideal play for investors looking to gain exposure to diversified fields. A stable free cash flow yield should entice investors looking to generate long-term value on dividends.

Bottom line

The world faces a wide infrastructure gap. The developing world needs to invest in new infrastructure while the developed world needs to update existing assets. Altogether, the world needs US\$94 trillion in infra investments over the next 20 years.

This could be the perfect safe-haven sector for investors seeking a combination of growth and steady income. If you're looking for exposure here, Brookfield Infrastructure Partners is an excellent choice. The stock seems fairly priced at the moment and offers an attractive dividend yield.

CATEGORY

1. Investing

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2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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