



This 1 Best Canadian Dividend Stock Is a Buy Now!

Description

The essence of building extraordinary wealth through stock investing is partnering with [leading businesses](#) for a long, long time, ideally forever.

Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#)) stock is a dividend stock that is trading near its all-time high. Its well-run business shows through in the upward trend of its stock price chart.



BIP.UN data by YCharts. TSX:BIP.UN's long-term stock price chart.

Together, its price appreciation and growing cash distribution every year has roughly six times

investors' money in the last 10 years — essentially delivering annualized returns of about 20%.

Notably, in the stock price chart, you'll notice that despite the utility's resilience through business cycles, the stock still experienced bumps and stagnation at times in the long-term upward trend.

Particularly, most recently, the dividend stock fell as much as 50% from the peak before the pandemic and the trough during the market crash last year. In other words, half of its market capitalization evaporated at one point along with broader market volatility even when it wasn't clear at the time how much the pandemic was impacting the business. In reality, BIP managed to *increase* its funds from operations per share by about 2% in 2020 versus 2019.

Buying when there's fear

One of the best things management did to create long-term shareholder value was by investing in quality assets at dirt-cheap prices during the 2020 market crash.

First, Brookfield Infrastructure needed to have the excess capital to do so. Second, management needed to have an eye for what to invest in.

During times of high economic uncertainty in 2020, many companies were struggling to stay afloat, let alone had the money to invest.

BIP has an ongoing capital recycling program. Last year, the company generated more than US\$700 million through capital recycling that resulted in after-tax total returns of 20% per year.

Not only did the utility deploy US\$2.5 billion in new investments and organic projects to grow its business, but it was also able to invest in multiple marketable securities during the market correction.

Furthermore, management made it clear that some could turn out to be a full buyout of the company. It came to light this month that one of the marketable securities it accumulated a substantial stake in and intended to buy out was **Inter Pipeline**.

Inter Pipeline will soon complete a critical project, the Heartland Petrochemical Complex (HPC), which it has been building for the past three years. Once that goes into service in early 2022, it will generate substantially greater cash flow.

No matter if this buyout succeeds or not, BIP would still win. The utility already accumulated a 19.6% economic interest in Inter Pipeline — a stake that has climbed in value very meaningfully from its cost basis.

If BIP fails to buy out Inter Pipeline, it can sell the shares in the public market for a nice capital gain. If it succeeds, it'll enjoy stable cash flows and benefit from the soon-to-be-in-service HPC project for years to come.

The Foolish takeaway

[Brookfield Infrastructure](#) has competitive advantages over its peers as an owner, investor, and operator

of global infrastructure assets. It can invest at big discounts in geographies that are most strapped for cash.

It knows which assets to keep and which to sell to recycle capital for safer and higher returns. After purchasing assets or businesses out right, BIP can improve the operations to drive higher margins and cash flow.

Consequently, all of the above actions result in market- and industry-beating returns and above-average passive income generation for long-term investors.

At writing, BIP stock provides a safe yield of about 4% and is modestly undervalued with 12-month upside potential of about 16%.

CATEGORY

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

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