



1 Undervalued Canadian Stock to Buy in August 2021

Description

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)) uses funds from operations (FFO) to assess operating performance. The company calculates it on a per-unit basis and considers it as a proxy for [future distribution growth](#) over the long term. The partnership's objective appears to be to pay a distribution that is sustainable on a long-term basis and has set a target payout ratio of 60-70% of the partnership's FFO.

Brookfield Infrastructure's vision is to be a [leading owner](#) and operator of high-quality infrastructure assets. Brookfield Infrastructure grows by deploying the group's operations-oriented approach to enhance value and by leveraging the partnership's relationship with **Brookfield Asset Management** to pursue acquisitions.

Disciplined approach to acquisitions

To execute Brookfield Infrastructure's strategy, it seeks to incorporate the group's technical insight into the evaluation and execution of acquisitions. Brookfield Infrastructure also maintains a disciplined approach to acquisitions and actively manages the group's assets to improve operating performance. Brookfield Infrastructure employs a hands-on approach to key value drivers, such as capital investments, development projects, follow-on acquisitions, and financings.

Overall, Brookfield Infrastructure's relationship with Brookfield Asset Management provides it with competitive advantages in comparison with a standalone infrastructure company in several respects. These include the ability to leverage Brookfield's transaction structuring expertise and the ability to pursue acquisitions of businesses that own infrastructure assets together with other assets that have a riskier cash flow profile.

Significant annual distribution growth

In addition, the partnership targets 5-9% annual distribution growth in light of growth it foresees in business operations. In February of fiscal 2021, the board of directors of the general partner of

Brookfield Infrastructure approved a 5% increase in the partnership's quarterly distribution to \$0.51 per unit, which is equivalent to \$2.04 per unit annualized.

Over the last 10 years, Brookfield Infrastructure has increased its annual distribution from \$0.79 per unit to \$2.04 per unit — a compound annual growth rate of 10%. Brookfield Infrastructure's board has a very intelligent dividend policy and generally declares dividends at the partnership's discretion, keeping in mind business needs.

Annual recurring income

Each of Brookfield Infrastructure's exchangeable shares has been structured with the intention of providing an economic return equivalent to one unit of the partnership. Dividends on the partnership's exchangeable shares are declared and paid at the same time and in the same amount as distributions are declared and paid on the units of the partnership.

Accordingly, the board also approved a quarterly dividend of \$0.51 per exchangeable share, or \$2.04 per exchangeable share on an annualized basis, starting with the dividend paid in March 2021. Currently, the service providers, which are wholly owned subsidiaries of Brookfield, provide certain management, administrative, and advisory services to Brookfield Infrastructure for a fee pursuant to a master services agreement. Brookfield Infrastructure is also externally managed by several service providers.

Affiliation advantages

Being affiliated with Brookfield Asset Management also gives the partnership an ability to acquire assets developed by the parent through operating platforms. Another advantage the company has is the ability to participate alongside Brookfield Asset Management or alongside Brookfield-sponsored or cosponsored consortiums, partnerships, and companies. This makes the company more valuable.

CATEGORY

1. Investing

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1. canada

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