Brookfield Infrastructure Partners L.P. (BIP)

Updated February 2nd, 2025 by Kay Ng

Key Metrics

Current Price:	$33	**5 Year CAGR Estimate:**	14.2%	**Market Cap:**	$15.2B
Fair Value Price:	$38	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	02/28/25
% Fair Value:	86%	**5 Year Valuation Multiple Estimate:**	3.0%	**Dividend Payment Date:**	03/31/25
Dividend Yield:	5.2%	**5 Year Price Target**	$53	**Years Of Dividend Growth:**	16
Dividend Risk Score:	B	**Retirement Suitability Score:**	A	**Rating:**	Buy

Overview & Current Events

Brookfield Infrastructure Partners L.P. is one of the largest global owners and operators of infrastructure networks, which includes operations in sectors such as energy, water, freight, passengers, and data. Brookfield Infrastructure Partners is one of multiple publicly-traded listed companies under Brookfield Corporation (BN). Brookfield Infrastructure Partners is a Bermuda-based limited partnership that is treated as a partnership for U.S. and Canadian tax purposes, and it reports financial results in U.S. dollars. It spun off Brookfield Infrastructure Corp. (BIPC, TSX:BIPC) in early 2020 for investors who prefer to invest in a corporation.

BIP reported resilient results for Q4 2024 on 01/30/25. The diversified utility reported funds from operations (“FFO”) of $646 million, up 3.9% year over year. FFO per unit (“FFOPU”) was $0.82, up 3.8%. The full-year results provide a bigger picture. FFO climbed 7.9% to $2,468 million. FFO per unit was $3.12, up 5.8%. Normalized for the impact of foreign exchange, the FFOPU growth would have been 10%, which better reflects the business’s operational strength. For the year, it achieved its target of $2 billion capital recycling proceeds. It also deployed +$1.1 billion across its backlog of organic growth projects and three tuck-in acquisitions, which should help contribute to growth. It also added ~$1.8 billion of new projects to its capital backlog at attractive expected returns. Importantly, BIP continues to reward its unitholders with an increasing cash distribution. It just raised its quarterly distribution by almost 6.2% to $0.43 per unit, equating an annualized payout of $1.72. We initiate our 2025 FFOPS estimate at $3.31.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFOPS	$2.39	$2.72	$3.11	$3.11	$3.40	$3.13	$3.64	$2.71	$2.95	$3.12	***$3.31***	***$4.64***
DPS	$1.41	$1.55	$1.74	$1.88	$2.01	$1.94	$2.04	$1.44	$1.53	$1.62	***$1.72***	***$2.30***
Shares[1]	243	173	277	278	294	295	305	458	462	462	***462***	***522***

Split-adjusted values/estimates are shown for 2020-2023 in the table above due to the BIPC spinoff in 2020. Similarly, split-adjustments are reflected for 2022, reflecting the June 2022, BIP/BIPC 3-for-2 share split. No cash distribution cuts occurred in 2020 or 2022. BIP’s earnings are reduced by preferred unit and incentive distributions. So, the FFOPS is a better metric than the EPS to track its business health. The FFOPS adjusts for non-cash items such as depreciation, amortization, and certain non-recurring items to more realistically represent the firm’s underlying earnings power. BIP uses FFO, which are relatively in line with its cash flows, to determine its dividend growth.

From 2015-2024, the FFOPS and DPS had a CAGR of 6.2% and 7.8%, respectively, on a split-adjusted basis. BIP has a strong track record of selling mature assets and redeploying capital for attractive long-term returns. Additionally, its infrastructure portfolio also expects to experience strong organic growth of 6-9% per year. BIP intends to make new investments of +$1.5 billion each year. BIP targets an FFOPS growth rate of +10% and dividend growth of 5-9%. We use the midpoint of the latter -- 7% for our estimated FFOPS growth rate through 2030. And we estimate a dividend growth rate of 6% through 2030.

[1] Shares in millions.

Disclosure: This analyst has positions in BIP and BIPC.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
P/FFO	11.8	10.9	13.0	11.3	13.2	13.3	16.3	12.9	11.5	10.5	***9.9***	***11.5***
Avg. Yld.	5.0%	5.3%	4.3%	5.3%	4.5%	4.7%	3.6%	3.9%	4.7%	5.1%	***5.2%***	***4.3%***

We value BIP based on its FFO. From 2015-2024, BIP's average P/FFO was 12.5. The utility has a top management team, and it continues to grow at an above-average pace in the utility space while expanding its diversified portfolio of quality infrastructure assets. With interest rates coming down, we think a target multiple of 11.5 and a yield of 4.3% are fair for this quality utility. The stock appears to be slightly discounted.

Safety, Quality, Competitive Advantage, & Recession Resiliency

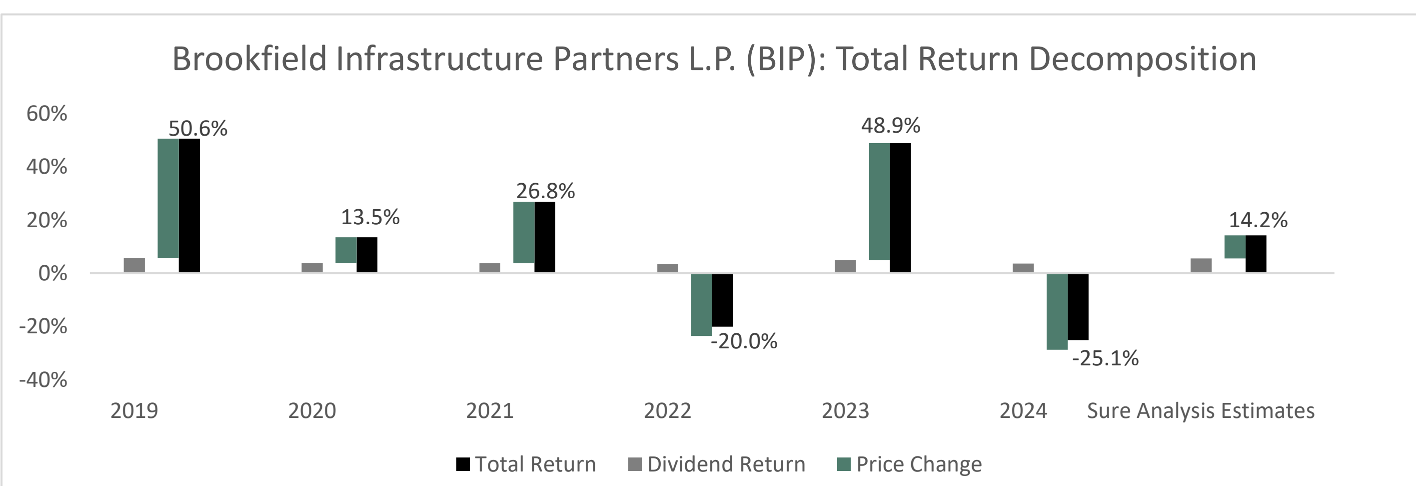
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	59%	57%	56%	60%	59%	62%	56%	53%	52%	52%	***52%***	***50%***

The COVID-19 pandemic demonstrated the resiliency of BIP's business. The company defines the payout ratio as distributions paid (inclusive of GP incentive and preferred unit distributions) divided by FFO, which averaged 70% from 2015-2024. According to this formula, its 2024 payout ratio is 67%, within management's FFO payout ratio target of 60% to 70%. BIP's FFOPS remains stable even through recessions because of the essential services provided by its diversified infrastructure portfolio. Stable FFO and a sustainable payout ratio leads to a secure dividend. BIP benefits from the qualitative competitive advantages of the Brookfield family of companies, which includes access to large-scale capital, vast experience owning and operating real assets, and a truly global operating presence. These factors allow BIP to invest in the most compelling global infrastructure opportunities. BIP has current liquidity of $5.5 billion, including ~$2.3 billion at the corporate level. Additionally, BIP maintains a solid credit rating of BBB+. It primarily obtains financing at the asset level. So, in a worst-case scenario, it'd end up handing over a struggling asset to a creditor; the rest of the business wouldn't be impacted. In any case, BIP is set to grow. It sees its capital recycling program providing ~$2 billion of proceeds, in any given year, which could be reinvested for its target returns of 12-15% on its investments.

Final Thoughts & Recommendation

BIP allows investors to invest in real global infrastructure assets. It should continue to grow at a good pace going forward. We believe BIP trades at a slight discount and can deliver total returns of about 14.2% over the next five years from a yield of 5.2%, 7.0% FFO growth, and valuation expansion of 3.0%. Therefore, we rate BIP as a "buy."

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,855	2,115	3,535	4,652	6,597	8,885	11,537	14,427	17,930	21,039
Gross Profit	1,057	1,052	2,026	2,444	3,202	4,042	3,290	3,917	4,461	5,363
Gross Margin	57.0%	49.7%	57.3%	52.5%	48.5%	45.5%	28.5%	27.2%	24.8%	25.4%
SG&A Exp.	134	166	239	223	279	312	406	433	413	405
D&A Exp.	375	447	671	801	1,214	1,705	2,036	2,158	2,739	3,644
Operating Profit	548	439	1,116	1,420	1,709	2,025	2,884	3,484	4,048	4,958
Operating Margin	29.5%	20.8%	31.6%	30.5%	25.9%	22.8%	25.0%	24.1%	22.6%	23.6%
Net Profit	235	369	124	329	211	324	766	341	367	391
Net Margin	12.7%	17.4%	3.5%	7.1%	3.2%	3.6%	6.6%	2.4%	2.0%	1.9%
Free Cash Flow	112	63	767	523	961	1,058	790	397	1,753	205
Income Tax	-4	15	173	364	278	291	614	560	581	356

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (bns)	17.7	21.3	29.5	36.6	56.3	61.3	74.0	73.0	100.8	104.6
Cash & Equivalents	199	702	341	444	699	742	1,406	1,279	1,857	2,071
Accounts Receivable	300	395	738	1,044	1,741	1,463	1,847	2,276		
Inventories	13	101	108	141	242	221	400	531		
Goodwill & Intang.	3,375	4,967	11,195	15,494	20,939	18,401	23,193	20,611	30,330	28,622
Total Liabilities	10559	11631	16,003	21,912	34,131	39,658	47,570	47,415	66,770	74,737
Accounts Payable	196	266	864	463	973	1,461	1,877	1,872	1,099	994
Long-Term Debt	7,232	8,326	10,164	15,106	21,118	23,396	29,253	30,233	45,820	51,094
Shareholder’s Equity	4,050	5,013	5,587	5,471	6,007	5,382	6,871	6,317	4,068	2,222

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.4%	1.9%	0.5%	1.0%	0.5%	0.5%	1.1%	0.5%	0.4%	
Return on Equity	6.2%	8.1%	2.3%	6.0%	3.7%	3.7%	12.5%	5.2%	5.8%	
ROIC	2.4%	3.2%	0.8%	1.6%	0.7%	0.7%	1.7%	0.7%	0.6%	
Shares Out.	243	173	277	278	294	295	305	458	459	462
Revenue/Share	7.76	8.64	13.36	16.80	23.10	23.10	38.88	31.49	39.03	45.54
FCF/Share	0.47	0.26	2.90	1.89	3.36	3.36	2.66	0.87	3.82	0.44

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.