



Results analysis: BBGI Global Infrastructure

BBGI offers long term income and capital growth and, on the current wide discount, could be an interesting option for those seeking exposure to infrastructure assets...

Update
03 April 2024

- **BBGI Global Infrastructure (BBGI) has released its results for 2023. The trust saw a small 1.2% decrease in NAV over the 12 months period. This was the first decline in NAV since IPO in 2011 and was almost entirely due to macro factors outside of the managers’ control, including an increase to the discount rate, movements in the currency markets, and proposed changes to Canadian tax legislation.**
- **Long-term performance for the trust remains strong. Annualised returns since IPO in 2011 to the end of 2023 equalled 8.6% on a NAV total return basis.**
- **The trust met its higher dividend target for the year of 7.93p per share, a 6% increase on 2022. Dividends were fully covered at 1.4x. BBGI reaffirmed its dividend target of 8.40p per share for 2024 – another 6% year-on-year increase. This is also expected to be fully covered.**
- **The ability to maintain a progressive dividend policy looks secure. Projected cash flows from the existing portfolio would be enough to sustain annual dividend growth for the next 15 years, even if no further investments were made.**
- **The trust fully paid down its revolving credit facility last year, using surplus cash generated by the underlying portfolio. BBGI made use of the facility in 2022 to make two investments, demonstrating that BBGI can grow organically without going to the equity markets.**
- **BBGI currently has 56 investments, 55 of which have fixed-rate borrowings that amortise over the lifetime of the investment. Exposure to interest rate risk in the remaining investment has been heavily reduced via the trust’s hedging strategy.**
- **BBGI Chair Sarah Whitney said: “The investment environment has fundamentally altered over the last 24 months, but BBGI’s portfolio has all the defensive qualities required to deliver a solid income stream. Our management team continues to manage the company’s risk profile with their customary attention to detail and will review opportunities to extend the life of the portfolio in order to maintain the duration of our asset base for the benefit of shareholders in the years ahead.”**

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Kepler View

We think **BBGI Global Infrastructure (BBGI)** possesses numerous strengths as a means to gain exposure to infrastructure assets today. The trust continues to offer investors a secure source of long-term income and capital growth potential, with the small dip in NAV last year largely due to macro factors, rather than investment decisions the managers have made.

BBGI now has no debt on the trust level, with management meeting their commitment to fully repay by the 2023 year end a revolving credit facility that they made use of in 2022 to fund two investments. That those repayments were made entirely from surplus cash flows is a sign that the trust can continue to grow organically, without issuing new equity.

The trust also has minimal exposure to higher rates. BBGI currently has 56 investments held via special purpose vehicles. Of those investments, 55



SPVs have debt that is fixed-rate, non-recourse debt that amortises over the life of the investment. The managers have placed trades to hedge out exposure to the risk of changes to the base rate in the remaining SPV.

Dividend growth continues to be compelling, with the 6% increase made last year being matched in 2024 with an equivalent growth target. That the trust can continue to pay a progressive dividend for 15 years, assuming no further investments are made, is testament to the stability of cash flows in the underlying portfolio.

Ultimately we think BBGI sits an interesting juncture. The trust trades at a wide discount and the potential for rate cuts in the near term mean there is potential for investors to enjoy an uplift to capital, as well as the ability to lock in an attractive forward yield.

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