Buy Brookfield Asset Management and Brookfield Infrastructure Partners L.P. on Acquisition News

Description

Whenever I see acquisition news, I have to pause for a second and determine whether it's a good move for that company. But when I see that it is either **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) or **Brookfield Infrastructure Partners L.P.** (TSX:BIP.UN)(NYSE:BIP) on the buying side, I know that the acquisition is going to be a success for the company.

It was announced on Tuesday that Brookfield Infrastructure Partners, along with the "Brookfield Consortium," had agreed to purchase **Asciano**, an Australian port and railroad operator, for roughly US$8.8 billion in cash and stock. As I have written many times here at Fool, this is the kind of acquisition that Brookfield is hungry to make. And the reason is rather simple.

Australia is dealing with some budget problems. In an effort to plug those holes, it is selling state-owned ports, railroads, and utilities to private companies. Whenever a seller has even an ounce of desperation, Brookfield has the advantage. As both companies have shown over the years, when given an opportunity to grow investors' money, they succeed time and time again.

While this acquisition is done by Brookfield Infrastructure, it's important to understand the relationship between the two firms. Brookfield Asset Management doesn't own the Infrastructure division outright anymore. Because it was publicly spun off in January 2008, the average retail investor can come along and buy shares of it. However, the parent company continues to retain 41% ownership of the company, which means that when Brookfield Infrastructure does well, so does its parent company. The CEO of Brookfield Infrastructure, Sam Pollock, is a senior managing partner at Brookfield Asset Management. The reality is, these two companies are joined at the hip.

More acquisitions are coming

The reason that I say you should buy now is because this acquisition will effectively pay for itself. So, while the stock did dip due to a decrease in available cash, the company will generate close to 55% of its revenue from operations similar to Asciano. This puts it into a good position to grow aggressively over the coming years.

And Pollock was not coy when asked whether the company would be buying more companies. “Yes,” he said. The reality is, there is close to US$93 billion in assets in Australia alone that infrastructure investors are going to be interested in. These are ports, airports, rail, electricity, etc. And this is where Brookfield shines.

Therefore, anticipate both Brookfield Infrastructure and its parent company to start buying other assets in Australia. When there are assets for sale, you can expect these companies to be there.

Brookfield rewards investors

The reality is, both companies reward investors handsomely. Brookfield Asset Management pays a 1.41% yield to investors, which might sound small. But consider this little fact: if you had invested $10,000 in Brookfield 20 years ago, this would have turned into $320,000 today. That’s, on average, 19% growth year after year. Not many companies can do that.

Brookfield Infrastructure Partners pays an even more handsome dividend. It pays a 4% yield to investors, but because that dividend is paid out in U.S. dollars, you are actually seeing an even larger dividend due to the weakened Canadian dollar.

Owning either or both of these powerful Brookfield companies will make you money. And if Brookfield Infrastructure and its parent company are serious about buying more high-quality assets, I predict considerable growth over the coming years.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:BN (Brookfield Corporation)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:BN (Brookfield)

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