



A Bargain Growth Stock to Buy Today

Description

If you haven't already done so, consider adding **Brookfield Business Partners** ([TSX:BBU.UN](#))([NYSE:BBU](#)) to your [growth stock](#) buy list. BBU is the private equity investing arm of **Brookfield Asset Management**, the general partner and manager with a stake of about 63% in BBU.

BBU stock aims for even higher returns than its parent company. Specifically, BBU aims to generate long-term returns of 15-20% on its investments, suggesting that investors can potentially get greater price appreciation from it (over BAM) by buying low and selling high.

However, investors will have to cope with BBU stock's greater volatility. For example, BBU.UN fell 14% yesterday versus BAM.A's 8% drop.

What is BBU stock's underlying business?

Brookfield Business Partners' strategy is to buy economic (often partial) interests in businesses around the globe when they're undervalued (such as during cycle lows), improve the businesses from an operational perspective (which is what it is an expert at), sell mature businesses, and redeploy capital into value opportunities. Rinse and repeat!

BBU has three main business segments: business services (about 35% of assets), infrastructure services (21%), and industrials (44%).

Strong profitability

Although BBU has a short history as a standalone limited partnership, it demonstrates strong growth potential in EBITDA and cash flow. Between 2017 and 2019, its company EBITDA and FFO increased by more than 400%!

Here's an example to illustrate Brookfield Business Partners' investing success. BBU took an ownership interest of about 44% in Westinghouse Electric Company in 2018.

By the end of 2019, BBU improved the business to achieve close to US\$600 million of annualized EBITDA, up about 36% from 2018, while also generating US\$260 million of distributions from the investment.

Brookfield Business Partners' recent investments

In the past year, Brookfield Business Partners deployed more than US\$2.5 billion of capital into attractive opportunities for growth, while getting more than US\$1 billion of capital back (from selling businesses and earning cash distributions from its businesses).

Its US\$2.5 billion of deployment went into companies like Genworth, the largest private sector residential mortgage insurer in Canada, Healthscope, a leading private hospital provider in Australia and the largest pathology provider in New Zealand, Clarios, a leading global manufacturer of advanced automotive battery technologies, and BrandSafway, a leading provider of work access, forming and shoring solutions, and specialty services.

BBU stock is getting so cheap!

On the **TSX**, BBU stock's market capitalization has been cut in half since February. Understandably, it'd be impossible to improve the profitability of businesses in today's economic environment.

However, there's also a higher probability of businesses, which are of interest to BBU, that will be in distress. And BBU has the dry powder to take advantage of this situation and improve the businesses for the better.

At US\$21.33 per share as of writing, BBU trades at a whopping discount of 42% from analysts' average 12-month price target, which is more than a double or specifically, 137% near-term upside potential.

Of course, I don't expect the stock to rise to that level in a year. Unless the coronavirus crisis dissolves, the global economies can't return to normal.

The Foolish bottom line

Investors who seek growth should consider accumulating Brookfield Business Partners shares during this bear market for outsized price appreciation when the world economies recover.

Based on its recent quotation, BBU stock can more than double from here. However, investors should have a long-term investment horizon, because the economies are doing fine five years later, I'm sure BBU will be more than a double.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BBU (Brookfield Business Partners L.P.)
2. TSX:BBU.UN (Brookfield Business Partners)

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