



## Could This Be the Ultimate Rebound Stock for 2021?

### Description

**Brookfield Business Partners** ([TSX:BBU.UN](#))([NYSE:BBU](#)) has been on a fine run, recouping all the losses accrued in 2020. While the stock has slid in recent weeks, it is well positioned to see further upside, as the global economy bounces from the COVID-19 disruptions.

Here's why this business holding company could be one of the best rebound stocks of 2021.

### M&A opportunities

Brookfield Business Partners has made a name for itself on acquiring distressed, undervalued, and mismanaged businesses with tremendous growth potential. Most of its companies are in essential services, including hospitals, energy, and wastewater management.

The pandemic has taken a significant toll on several mid- to large-size businesses in the essential services front, some of which could be attractive investment targets for Brookfield Business Partners. As it stands, the company is staring at a strong pipeline of merger and acquisition (M&A) opportunities that have the potential to strengthen its base.

New acquisitions or investments should add to the robust base Brookfield Business Partners has created over years. In 2020, the company's EBITDA surged to \$1.38 billion, up from \$1.21 billion the previous year.

However, Brookfield Business Partner plunged to a net loss of \$169 million compared to a net income of \$88 million in the prior year. The wider-than-expected net loss included provisions and impairments recorded during the year. These losses could be quickly recouped as the economy reopens and consumption resumes.

### Dividend offering

In addition to the tremendous growth opportunity on the M&A front, Brookfield Business Partners should excite income-focused investors. The company pays a quarterly cash distribution equal to \$0.0625 a unit; its annualized cash distribution stands at \$0.25 a unit.

While the stock has edged lower in recent weeks, it is well positioned to see more upside action as a bounce-back play. The investment opportunities up for grabs, as the economy recovers from the pandemic, affirm the company's prospects in 2021.

## Valuation

Brookfield Business saw its [funds from operations drop to US\\$870 million](#) last year. Assuming that bounces back to US\$1 billion or more in 2021 seems reasonable. In that case, the company's stock is trading at a price-to-FFO ratio of six. That's a justified valuation considering the nature of the underlying businesses.

In short, Brookfield could see a rebound in earnings in 2021, as the economy opens up. Meanwhile, it has \$4 billion in cash on its books to fuel acquisitions. The stock price is trending upward, but is still relatively undervalued.

This could be the ideal rebound stock for 2021.

## Bottom line

2020 was the year of the tech stock. Companies with digital businesses were thriving. Meanwhile, industrial conglomerates like Brookfield Business Partners lost billions in market value.

Now the trend seems to have reversed. Brookfield's underlying businesses could rebound sharply as the economy reopens. Meanwhile, the company has plenty of cash on its books to acquire more firms and boost its earnings potential further. This could be an ideal value buy for investors in 2021.

## 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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