



This Brookfield Stock Could Rebound Strongly in 2021

Description

Brookfield Business Partners ([TSX:BBU.UN](#))([NYSE:BBU](#)) continues to outperform the market at a time when most stocks are under pressure. The stock is already up by more than 20% year to date. It has also more than doubled in value from its 52-week lows over the past year.

Considering its business model, this firm could be at the epicentre of the economic recovery throughout 2021. Here's a closer look at why Brookfield Business could be the ultimate rebound stock this year.

A collection of businesses

Brookfield acquires and invests in niche businesses with strong cash flows from across the world. Their portfolio includes Westinghouse, an electric utility in Pittsburgh, Indostar, a distressed lender in India, Ouro Verde, a car and equipment rental business in Brazil and Calrios, a battery supplier.

These niche industrial service providers tend to have stable long-term contracts that should have faced minimal impact last year, despite the pandemic. In fact, Brookfield management claims 95% of their operations had either "minimal or manageable" impacts from the economic dip last year.

This year, the economy is reopening, which means revenues should steadily climb higher. Meanwhile, Brookfield has added more distressed assets to its book over the past 12 months. In other words, the underlying business is much more valuable and robust than it was in 2019. Meanwhile, the stock trades at just 13.8 times earnings.

Impressive quarter

A strong performance in the first quarter underscores a company firing on all cylinders. Brookfield Business Partners is benefiting from the continued recovery conditions in the global economies, according to Chief Executive Officer Cyrus Madon.

The acquisition and holding company generated \$387 million in EBITDA in the first three months of the year, up from \$294 million last year in the same period. Funds for operations were up to \$217 million,

or \$1.46 per unit, from \$152 million, or \$1.01, as of last year's same period.

Brookfield Business Partners bounced back to profitability with a net income of \$530 million, or \$3.57 per unit, compared to a net loss of \$126 million, or \$0.84 per unit, reported last year. Amid the impressive financial results, Brookfield Business Partners is still trading at a discount going by a price-to-sales multiple of 0.12 and price-to-book multiple of four.

Robust dividend

The company also boasts an impressive track record of returning value to shareholders with a trailing dividend rate of 0.25. A forward annual dividend yield of 0.52% signals the company is well positioned to increase its dividend. [Brookfield Business Partners](#) has already approved a \$0.0625 per unit dividend payable on June 30, 2021.

Brookfield Business Partners is a company operating at peak levels. The company bouncing back to profitability and announcing a dividend underscores its ability to return value to shareholders. Similarly, the stock looks set to continue edging higher as it is currently trading at a discount.

Bottom line

Brookfield's portfolio of niche industrial businesses faced minimal disruption last year. In fact, the dip allowed the team to make new acquisitions at bargain prices. Now, as the economy reopens the stock could see significant upside. It could be the ideal rebound play for 2021.

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1. Investing

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2. TSX:BBU.UN (Brookfield Business Partners)

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