2 Quality Dividend Stocks With Monster Deals in 2021

Description

Two bidding wars erupted in 2021 involving four prominent large-cap stock names. Animosity among the parties was inevitable because they were monster deals. In February, the first bid happened when **Brookfield Infrastructure Partners** offered to acquire all outstanding common shares of **Inter Pipeline** (TSX:IPL) it didn't already own.

In March, **Canadian Pacific Railway** proposed a cash-and-shares transaction to **Kansas City Southern** (NYSE:KSU). However, the original suitors didn't win the deals. **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) and **Canadian National Railway** (TSX:CNR)(NYSE:CNI) came out the winners instead.

The losers continue to contest the decisions of the Canadian energy infrastructure company and American railway operator to reject their bids. Meanwhile, investors' interest in CNR and Pembina should heighten once the companies obtain approvals to proceed with the takeovers.

Pembina and Inter Pipeline

Brookfield Infrastructure, the largest shareholder (9.75%) on record at Inter Pipeline, hasn't given up hope. It has revised its original bid amount twice to prevent Pembina's takeover of Canada's fourth-largest pipeline company. Inter Pipeline's market cap stands at $8.98 billion compared to Pembina's $21.33 billion.

On June 1, 2021, Pembina came in with an $8.3 billion offer, and Brookfield immediately sweetened the pot on its hostile cash-and-stock offer. Inter Pipeline announced the second revision, although voting on the deal with Pembina will push through on July 29, 2021.

The boards of directors of Pembina and Inter Pipeline and Pembina have each unanimously approved the strategic combination already. Pembina also announced that it would not increase its offer for Inter Pipeline anymore. The pipeline giant believes the business combination is extremely compelling, giving shareholders immediate and long-term value.

Pembina is a top-notch energy stock that pays a monthly dividend. At $38.79 per share (+33.34% year to date), the dividend yield is a juicy 6.4% dividend. Inter Pipeline, however, outperforms its buyer with its 78.88% gain. The acquisition of Inter Pipeline will certainly boost Pembina's stature, as it competes with **Enbridge** and **TC Energy**.

CNR and KC Southern

For Canadian Pacific Railway, Kansas City Southern is worth pursuing because of the potential to build the first rail network that connects Canada. Mexico, and the United States. CNR came into the picture in April with a US$33.7 billion offer that dwarfed CPR's US$25 billion price tag.

J.J. Ruest, CNR's president, said then, "CN and KCS have highly complementary networks with limited overlap that will enable them to accelerate growth in single-owner, single-operator, end-to-end service across North America."

He was confident that a safer service and better fuel efficiency on key routes from Mexico through America's heartland would result in a faster, cleaner, and stronger railway. The deal with CNR augurs well for KSC, as revenues for Q2 2020 jumped 37% from a year ago.

Meanwhile, CNR is down 5.08% year to date. Nonetheless, market analysts forecast a potential upside of between 10.14% and 25.33% in the next 12 months. It means the current share price of $131.65 could climb to as high as $165. The railway stock pays a modest 1.87%.

The CNR and KCS merger is still under evaluation by federal regulators. KCS had to terminate the previous arrangement with CPR after signing a merger agreement with CNR in May 2021.

Quality dividends

The monster deals of Pembina Pipeline and Canadian National Railway should boost the stocks. For income investors, both are excellent additions to their portfolios, because they pay quality dividends.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/23
Date Created
2021/07/21
Author
cliew