



Will Pembina (TSX:PPL) Lose Out to Brookfield Infra (TSX:BIP.UN)?

Description

Just when **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) thought it had **Inter Pipeline** in the bag, the [pipeline giant](#) might still lose in the [monster deal](#). **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) hasn't given up on its hostile takeover bid for Inter Pipeline.

The twist came when proxy advisory firm Institutional Shareholder Services (ISS), a proxy advisory firm, favoured Brookfield Infrastructure's third bid. The hostile offer for Inter Pipeline is now \$8.58 billion compared to Pembina's all-stock bid of \$8.5 billion.

Sweetened offer

ISS said the combination with Pembina carries execution risk, whereas Brookfield's higher competing bid has financing certainty, no regulatory risk, and an all-cash option. However, the original suitor might not receive requisite shares if Inter Pipeline shareholders vote down the offer again.

The proxy advisory firm adds, "Absent materially improved terms from Pembina, shareholders appear to be better off at this time with the riskless option available through Brookfield's tender."

Stand pat strategy

The response of Pembina Pipeline to Brookfield's sweetened offer is that it will stand firm on its offer for Inter Pipeline. On July 16, 2021, the press release from the \$21.67 billion company said Pembina "...does not intend to increase or otherwise change" the agreement or friendly tie-up that's in place to provide 0.5 of a share for each share of Inter Pipeline.

Management maintains the position that the strategic combination with Inter Pipeline is extremely compelling from an immediate and long-term value perspective. Thus, Pembina believes shareholders should vote in favor of the transaction. Meanwhile, Inter Pipeline's special committee of directors will review Brookfield's revised offer upon formal presentation. Shareholders will vote on the monster deal on July 29, 2021.

Ardent suitor

Brookfield Infrastructure is the largest shareholder (9.75%) of Inter Pipeline. The \$20.37 billion company fully agrees with the ISS's recommendation and hopes shareholders will vote against the Pembina-Inter Pipeline deal.

Management believes the alternative transaction has superior value, flexibility, and certainty compared to Pembina's offer. Inter Pipeline shareholders have until 5:00 p.m. on August 6, 2021, to tender or accept Brookfield Infrastructure's offer.

In two unrelated transactions, Brookfield Infrastructure sold 100% of Enware, its district energy business in North America, for \$4.1 billion. The Ontario Teachers' Pension Plan Board and IFM Investors acquired Enware's Canadian business. QIC and Ullico bought the U.S. business.

According to Brookfield, the net proceeds from the sale were approximately \$1 billion. Moreover, the company said IRR on the investment was more than 30%, while the multiple of invested capital was six times over. The twin transaction raised the corporate liquidity to around \$4 billion. Management will use the funds towards growth initiatives.

Stock comparison

[Dividend stocks](#) Pembina Pipeline and Inter Pipeline currently enjoy year-to-date gains of 36.15% (\$39.40 per share) and 73.07% (\$20.22 per share), respectively. The former pays a high 6.40% dividend, while the latter offers a modest 2.37%. Brookfield Infrastructure trades at \$68.94 (+11.58% year to date). The utility stock pays a decent 3.67% dividend.

No winner yet

The bitter tug of war between Pembina Pipeline and Brookfield Infrastructure isn't over. However, the dust will settle very soon. Perhaps by early August, we'll know the voting results. The winner of the hotly-contested monster deal is sure to attract more investors. Its stock will likewise get a big lift.

CATEGORY

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