



## Brookfield Infrastructure (TSX:BIP.UN) Secures Victory After 3 Tries

### Description

Canadians can learn a thing or two from **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) that won a [hotly contested battle](#) to take over a world-scale energy infrastructure company. **Inter Pipeline** played hard to get, yet Brookfield managed to seal the deal through sheer perseverance.

Investors with [long-term financial goals](#) should adopt a similar attitude. If you know that an investment will pay off handsomely in the future, stay the course and don't lose sight of your objective.

It took Brookfield two revisions of the original buyout proposal to win over Inter Pipeline shareholders. **Pembina Pipeline** thought it had the [monster deal](#) in the bag until Brookfield put its third bid on the table. After winning the bid, the \$20.01 billion company has solidified its position as the best utility stock for investors.

### Prized catch

Inter Pipeline is a prized catch because its pipeline infrastructure in Western Canada connects oil and natural gas producers with local and international customers. Brookfield's primary interest is the oil sands pipelines. Moreover, Inter Pipeline's Heartland Petrochemical Complex (HPC) in Strathcona County, Alberta is in the final stages of completion. HPC's revenue potential is massive.

The pipeline operator rejected Brookfield's \$7.1 billion bid in February 2021 because it claimed the offer did not reflect the company's true value. Pembina came into the picture in early June with a friendly all-stock deal worth \$8.3 billion. Inter Pipeline's Chair Margaret McKenzie said Pembina offered a compelling value for shareholders in the short term.

Brookfield did not waste time and countered a higher \$8.48 billion bid (74% cash). Inter Pipeline's board rejected the offer anew. With the voting date nearing, the persistent suitor did not relent. A higher \$8.6 billion hostile offer came next to urge Inter Pipeline shareholders to break the arrangement with Pembina.

## The clincher

After reviewing Brookfield's revised bid, International Shareholders Services (ISS) recommended that Inter Pipeline reject Pembina's offer. The shareholder advisory firm raised an important point. Although Pembina's appears to be a sound strategic combination, ISS said Brookfield's more cash offer provides financing certainty with no regulatory risk. It was a riskless option overall.

Before ISS's recommendation, Pembina announced it was not raising its bid for Canada's fourth-largest pipeline company. The end came for Pembina when Inter Pipeline shareholders decided to pursue Brookfield's higher offer. People were not surprised with the U-turn because the revised offer was too good *not* to reject this time. Meanwhile, Inter Pipeline will pay Pembina a termination fee of \$350 million.

Besides owning 9.75% of Inter Pipeline, Brookfield Infrastructure Partners is the flagship infrastructure company of **Brookfield Asset Management**. The company didn't give up and is now a step away from winning the bid officially. Inter Pipeline shareholders have until August 6, 2021, to tender their shares and receive a significant premium.

## A desirable option

For would-be investors, Brookfield Infrastructure has become a desirable option. The utility stock trades at \$67.72 per share (+9.6% year to date) and pays a 3.75% dividend. Also, it should give you the confidence to invest as most of its operating assets are regulated. As a result of stable cash flows, the dividends should be safe and lasting.

### CATEGORY

1. Dividend Stocks
2. Investing

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