



Buy Brookfield Infrastructure and CP Rail Right Now

Description

Persistence and a bit of help won the day for **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) and **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)). The two companies were the original suitors of **Inter Pipeline** and **Kansas City Southern** until **Pembina Pipeline** and **Canadian National Railway** engaged them in a [bidding war](#).

Inter Pipeline and KSC initially stuck with Pembina and CNR but eventually walked away in favour of Brookfield and CP Rail. Having secured monster deals that would drive business growth, the winning bidders are [buying opportunities](#) for long-term and [income investors](#).

More infrastructure assets

At first, Inter Pipeline wanted Pembina as a partner because it was a friendly merger. The change of heart came when proxy advisors Institutional Shareholder Services (ISS) and Glass Lewis said Brookfield's proposal was too good financially to refuse and had better chances of regulatory approval.

Pembina didn't like the outcome, although it received \$350 million as a break fee. Inter Pipeline is a prize catch for Brookfield Infrastructure, one of the largest owners and operators of critical global infrastructure networks. The acquired entity is a world-scale energy infrastructure energy.

Inter Pipeline has seven pipeline systems, one straddle plant, two off-gas processing facilities, an olefinic fractionator, and 19 million barrels of storage capacity in Western Europe. But the crown jewel is the Heartland Petrochemical Complex (HPC). HPC is Canada's first integrated propane dehydrogenation & polypropylene complex.

Brookfield Infrastructure will have more infrastructure assets that generate predictable, long-term cash flows. In the first half of 2021, it reported 29.1% and 834.5% growth in revenue and net income versus the same period in 2020. The competitive advantages of this \$20.98 billion company are high-quality, long-life assets.

Moreover, Brookfield's assets are diversified (utilities, transport, midstream, and data) and scattered in

North and South America, Asia Pacific, and Europe. It's also the flagship infrastructure company of global alternative asset manager **Brookfield Asset Management**.

Future of freight

CP Rail is half the size of CNR, but the \$54.91 billion railway operator fought bitterly in the takeover battle for KCS. The American rail transportation rejected CP Rail's bid and leaned more toward CNR. But in a sudden twist, the U.S. Surface Transportation Board (STB) quashed the CNR-KCS deal. In the end, KCS said the decision of the overseer of freight rail service and rates in the U.S. was good for the railway industry.

Similarly, the KCS Board unanimously determined that the CP Rail proposal was far more superior, after all. On September 15, 2021, CP Rail and KCS formally entered into a merger agreement. The Canadian firm will acquire the American company for US\$31 billion (stock and cash). CP President and CEO Keith Creel said the historic agreement is a once-in-a-lifetime partnership.

CP Rail, not CNR, will build the first U.S.-Mexico-Canada rail network with a new single-line offering. Once complete, it will deliver a dramatically expanded market reach for CP and KCS customers. "It should also provide new competitive transportation options, and support North American economic growth," Creel said.

Go for winners

Brookfield Infrastructure and CP Rail deserve to win the monster deals. The current share price of the utility stock is \$69.81 per share, while the dividend yield is 3.7%. You can own the railway stock for \$82.82 per share and partake of the modest 0.92% dividend. Both are buying opportunities. Remember, too, that investors love winners.

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