



## Brookfield Business Partners: A Cheap TSX Stock With Multi-Bagger Potential

### Description

Any company whose name starts with “Brookfield” is worth [Canadian investors](#)’ attention. **Brookfield Asset Management** (TSX:BAM.A) and its publicly listed affiliates have created significant wealth for shareholders over the past several decades.

### Brookfield Business Partners: An under-the-radar growth stock

**Brookfield Business Partners** (TSX:[BBU.UN](#)) is Brookfield’s private-equity arm. It is probably the least followed Brookfield stock today, which makes it an interesting opportunity.

It acquires and operates businesses that have strong economic moats and dominant niche market positions and that generate significant excess cash. These may not be well-known consumer brands, but the businesses often sell an essential service or product in their sector.

Brookfield generally acquires them at attractive valuations. It recapitalizes the business, provides management and operational expertise, and then turns the company into a cash cow. It either keeps the business for the long term or sells the cleaned-up asset at a premium and reinvests the proceeds.

### A strong investment history

Since 2016, Brookfield Business Partners has invested more than \$5.4 billion into 20 large businesses across the globe. It now oversees more than \$64 billion worth of business assets. These include a major Australian hospital operator, a Canadian private mortgage insurance provider, a global battery manufacturer, the leader in global nuclear services, and a major Brazilian wastewater services manager.

Operationally, Brookfield Business Partners has produced strong results. Since its spinout from Brookfield Asset Management in 2016, revenue has grown by a compounded annual rate of 42%. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) have grown about 37% a year. EBITDA has increased 383% since 2016!

## Solid first-quarter 2022 results

Brookfield Business Partners just announced great [first-quarter 2022 results](#). It grew adjusted EBITDA by 31%, to \$506 million. While net income per unit was down drastically, it was largely due to a large comparable gain on a business disposition last year.

Despite that, Brookfield Business Partners ended the quarter in a strong capital position. It had \$5.7 billion of cash and debt capacity to deploy. In the quarter, it was able to deploy more than \$1.6 billion into seven new acquisitions.

Some noteworthy deals include **Nielson Holdings** (a leading audience engagement and analytics firm) and CDK Global (a top auto dealership software platform). BBU has steadily been adding technology businesses to its portfolio. Given the large decline in technology stock valuations, investors could expect this to be a fast-growing segment in BBU's portfolio.

As with many stocks, Brookfield Business Partners is down more than 20% in 2022. Part of this decline was due to the planned two-for-one LP unit split to corporate shares. As a result, the stock decline looks worse than it actually is. But Brookfield Business Partners stock is still cheap with a price to free cash flow of only 8 times.

## Brookfield Business Partners could be a long-term multibagger

In fact, the current economic volatility plays right into Brookfield's M.O. Economic volatility creates valuation discounts and dislocation in business pricing in the short-term. Consequently, Brookfield Business Partners can use its value/contrarian investment approach to buy cheap, quality businesses for the long run.

Investors will have to be very patient with this stock as earnings can be lumpy from quarter to quarter. However, as its portfolio value multiplies over time, so too should its stock price.

The Brookfield franchise has proven to be a very effective long-term investment. Put your money in Brookfield Business Partners' portfolio of high-quality businesses, and chances are good you will be very happy you did in 10, 20, or 30 years from now.

### CATEGORY

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