



## Does Brookfield Asset Management Inc. Belong in Your Portfolio?

### Description

In the corporate world, many companies have been forced to adapt, expand, or explore new possibilities to survive. A shining example is Toronto-based **Brookfield Asset Management Inc.** (TSX: BAM.A)([NYSE: BAM](#)), which began its existence as a Brazilian electric company back in 1899. Now fast-forward to 2014 and the company is a massive asset management firm with \$180 billion under management. Investors have banked on this company's stability for years as a way to balance out their portfolios.

Now some interesting results have come out of the company's most recent quarterly earnings report, which raises the question of whether it's time to buy or hold.

### Roots that run deep

Over the past century, the company has grown out of its roots in Canada and Brazil and now has a reach in 20 countries, with 24,000 employees. Along with the main company, Brookfield is also divided into its major public subsidiaries **Brookfield Renewable Energy Partners L.P.**, **Brookfield Property Partners LP**, **Brookfield Canada Office Properties**, Brookfield Incorporacoes SA, **Brookfield Office Properties Inc.**, **Brookfield Residential Properties Inc**, **Brookfield Infrastructure Partners L.P.**, and **Brookfield Real Estate Services Inc.**

Through these subsidiaries it controls a vast real estate portfolio of over 600 non-residential properties. This is in addition to 15,500 km of pipelines and 9,900 km of power transmission lines. Its renewable power arm generates 6,000 megawatts of power at 217 generating facilities. While this is an impressive pedigree, what does the present say about the company's future?

### Revenue down while net income soars

First, the bad news: Revenue in the second quarter fell to U.S.\$4.83 billion from U.S.\$5.16 billion. However, there are some encouraging numbers lurking in the results. Thanks to increased management fees, net income nearly doubled in the quarter to U.S.\$1.5 billion from U.S.\$802 million. Earnings per share more than doubled in the quarter, totaling U.S.\$1.19 per share, up from U.S.\$0.31 per share.

Funds from operations also increased, though not as impressively as net income did, to U.S.\$569 million, or U.S.\$0.84 per share, up from U.S.\$464 million, or U.S.\$0.68 per share in Q2 2013.

### **A new 52-week high**

The stock climbed to a new 52-week high of \$51.02 on Monday before closing at \$50.97. As far as investors are concerned, this is excellent news, as the company has finally managed to recover from its 2008 crash price of \$14.87 and is now trading well above its peak 2007 price of \$47.23. For patient investors of Brookfield who had some spare change in 2008, this is a nice place to rest and enjoy your annual dividends of \$0.70 with a yield of 1.3%.

For new investors, a little patience might be required as the average price target is only \$53.50. This means that once the fanfare of earnings season begins to relent, a \$2.00 to \$3.00 drop in stock price might be the best entry point in the near future.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)

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