



Why Brookfield Asset Management Inc. Could Win Big From the Oil Slump

Description

These days, you'll find plenty of stories about who benefits from oil's collapse. American consumers, who will save money on gasoline, come to mind. Businesses in Ontario and Quebec benefit from a lower Canadian dollar. Auto companies must be licking their lips, figuratively speaking.

But there's another company that could profit very nicely, and for a long time: **Brookfield Asset Management Inc.** (TSX:BAM.A) ([NYSE:BAM](#)).

Birch Mountain

Back in 2007, Birch Mountain Resources was sitting on a limestone deposit valued at \$1.6 billion. Unfortunately, the company was running into financial trouble, and did not have enough capital to develop the deposit. Brookfield stepped in with \$50 million in financing, but Birch Hill eventually defaulted on this debt. As a result, Brookfield gained control of Birch Mountain, along with that \$1.6 billion deposit.

Birch Mountain's former shareholders have sued Brookfield in response, led by former hockey star Lanny McDonald. The outcome of the case is uncertain. But here's what we know already: Birch Mountain's former shareholders suffered big losses, and Brookfield made a big gain.

History tends to repeat itself

This is not the only time that Brookfield has done such a thing. The company made a handsome profit from Stelco, a troubled steel company. Brookfield also owns the Atlantis hotel resort in the Bahamas, having acquired it when the former owner ran into financial trouble.

You see a pattern here? When a company has a great asset, but runs into financial trouble, Brookfield is able to take advantage. You can call it unfair all you want. But Brookfield is very good at what it does.

Oil companies: the perfect candidates

There's no denying that oil companies are struggling these days, and some are in especially bad

shape, thanks to high debt levels. Many of these producers are sitting on vast oil reserves, but don't have enough capital to take advantage. Sound familiar? This is what Birch Mountain was facing in 2007.

I wouldn't expect Brookfield to make any big moves right away. The oil slump is still in its early stages. But as it persists, more companies will run into financial trouble.

And Brookfield will be perfectly positioned to take advantage. The company currently has roughly \$5 billion in "Core Liquidity" and about \$8 billion in uninvested client capital. I would expect some of that money to go towards the energy sector.

And this is only the beginning

Longer term, there are other reasons to like Brookfield. It has a fabulous track record and plenty of investment opportunities around the world. Better yet, the company has been attracting lots of clients, which has led to big growth in fee income.

The company hopes to have a \$150 stock price by 2024. There's every reason to believe that's possible.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
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