



Brookfield Asset Management Inc. (TSX:BAM.A) Shows Strong Results: Should You Buy Now?

Description

Brookfield Asset Management (TSX:BAM.A)([NYSE:BAM](#)) has been a bright performer, delivering long-term annualized returns of +12% per year (as long as shares were bought at a reasonable valuation). The stock appreciated about 5% in reaction to its positive Q2 results. Let's review the results and see if it's a good time to buy the incredible business.

Brookfield Asset Management's Q2 results

Here are some key metrics compared to the same period in 2017:

	Q2 2017	Q2 2018	Change
Net income	US\$958 million	US\$1,664 million	73.7%
Earnings per share	US\$0.19	US\$0.62	126.3%
Funds from operations (FFO)	US\$1,026 million	US\$790 million	-23%
FFO per share	US\$1.01	US\$0.77	-23.8%

On an initial look, it seems Brookfield Asset Management's FFO fell a lot, but the results are actually skewed by asset sales. For example, asset sales in Q2 2017 added US\$464 million to that quarter's FFO generation.

By excluding the gains from asset sales for both quarters, we can focus on the FFO generated by operating activities. We then see the company generated US\$656 million of FFO in Q2 2018, an increase of 16.7% compared to the US\$562 of FFO generated in Q2 2017. On a per-share basis, that's a growth of 15.6%. So, the business is actually doing very well with double-digit FFO growth.



Good news

[Brookfield Asset Management](#) generates increasing management fees as its fee-bearing capital grows. In Q2, its fee-bearing capital reached a record of US\$129 billion — a 10% increase over June 2017. Its fee-bearing capital is diversified across private funds, its listed partnerships, such as **Brookfield Renewable**, and public securities.

As the general partner of its listed partnerships, Brookfield Asset Management also receives carried interest for providing its expertise in growing the businesses.

Brookfield Asset Management's annualized fees and target carried interest reached US\$2.6 billion, which was an increase of 20% from June 2017.

Brookfield Asset Management had increased its annualized fees and has targeted carried interest at a superb compound annual growth rate of about 23% in the past four years or so.

Investor takeaway

As an owner and operator with more than a century's experience doing what it does best, Brookfield Asset Management will keep on becoming more profitable. Its fee revenues and carried interest will increase over time. Moreover, it has been getting large deals that few can pursue thanks to its strong access to capital.

Investors should find themselves lucky to be able to invest alongside one of the largest global alternative asset managers in the world. The 12-month consensus target at **Thomson Reuters** on the stock indicates about 13% near-term upside.

[Brookfield Asset Management](#) is reasonably valued today. The best way to go at it, if you don't want to miss the boat, is to buy some shares now and average in periodically. For a better entry point, take advantage of any dips in the stock or buy in after a period of consolidation.

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