This Dividend-Growth Stock's Latest Acquisition Makes it the Perfect Alternative

Description

I've been a fan of Bruce Flatt and **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) for a long time, recommending its stock on several occasions over the past three years.

As alternative asset managers go, Brookfield is the best in the business.

I'm not the only Fool that thinks highly of Brookfield. My colleagues Kay Ng and Mat Litalien also have been strong supporters of its stock in the past, so I'm in good company.

Recently, Brookfield paid $4.8 billion for 62% of Los Angeles-based **Oaktree Capital** (NYSE:OAK) in a combination of stock and cash. The founders of Oaktree, along with some of its employees, will own 38% of the company for the foreseeable future. Brookfield can buy the remainder starting in 2029.

While it wasn't a good deal for regular Oaktree investors — the offer was $49 a share, only a 12% premium over the previous day's close and well below its 2014 highs in the mid to late $50s — it sure makes Brookfield a player in the global alternative asset management business.

An expanded credit platform

Oaktree specializes in credit and distressed debt. Approximately 70% of its $120 billion in assets under management are in this area. By comparison, Brookfield has very little to offer sovereign wealth funds, institutional investors, and other wealthy parties looking for excellent credit investments.

Now it does.

One of the reasons Brookfield was able to get Oaktree at such a reasonable price is that distressed debt isn't quite as attractive as it was back in 2008 when the financial crisis kept Oaktree co-founders Howard Marks and Bruce Karsh very busy — not to mention rolling in the dough.

Brookfield gets a credit platform and some savvy investors. Oaktree gets to play in a bigger sandbox. With the move, Brookfield now has approximately $475 billion in assets under management — the same amount as industry leader **Blackstone Group**

, thus allowing Brookfield to provide its international clients with the full service Blackstone's clients have become accustomed.

Buying assets at a value price

Brookfield's DNA is to buy assets at reasonable prices, fix them up, grow them, and then wait for the market demand to come to them. Think of it like buying the worst house in the best neighbourhood; fix it up and, eventually, the buyers will come calling.

The rumblings are getting louder that a recession could happen in the U.S. before the end of 2019, much sooner than expected, putting the global economy in the tank as a result. While some of Brookfield's assets would be reduced in value in this scenario, it would also provide Oaktree with the opportunity to do what it does best: buy distressed debt and hold it until its value rises.

Frequently, Brookfield might turn around and sell an asset like Oaktree once its value has risen, but in this instance, I'm pretty certain it will buy out the rest of the company in 2029, because Oaktree is too good a platform not to own it for the long haul.

In 10 years, when it's time to buy the rest of Oaktree, I'm confident the 62% it already owns will be worth far more than $4.8 billion.

The bottom line on Brookfield stock

Bruce Flatt is one of the most successful CEOs this country has ever produced. He's made shareholders a lot of money along the way and in the process has himself become a billionaire.

Normally, I'm not happy about excessive CEO compensation, but Flatt's latest deal proves he's worth every penny.

If you own Brookfield stock, you ought to hope he works until he's 90. He's that good.

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