



Now Is the Best Time to Buy This Growth Stock in 11 Years!

Description

Brookfield Asset Management (TSX:BAM.A)([NYSE:BAM](#)) is one of my favourite stocks. You've probably seen me writing more often on it recently because seldom does this stock go on sale for long-term investment.

BAM tends to keep growing. But this year is one of those once in a blue moon years in which it experiences a dampener. Similar to what happened more than 11 years ago, this year, an economic contraction has disrupted its business. The stock crashed that time, too, in the last recession.

Since then, the stock delivered annualized returns of 19% through early this year until the epidemic turned into a pandemic and the stock crashed.

The temporary slowdown of 11 years ago and this year is not a bad thing. In fact, it's a blessing in disguise. It's during these distressing periods that BAM can source even better deals for long-term investment. This year is [the best time in years to buy the growth stock](#).

The growth stock's recent results

Yesterday, Brookfield Asset Management just reported its third-quarter (Q3) earnings results. Here are the key takeaways of its recent results. Keep in mind that, so far, the biggest disruptions from the pandemic occurred in Q2 due to economic shutdowns.

In the last 12 months, the company reported net income of US\$530 million, down from US\$6,744 million a year ago. That's an eye-popping decline of 92%. However, because of large non-cash depreciation and amortization expenses, BAM's funds from operations (FFO) better represents the underlying business's earnings power.

In the period, it reported FFO of US\$4,288 million, down 1% from a year ago. FFO per share declined by less than 6% to US\$2.70. This is evidence that its business is resilient amidst pandemic impacts that affect 10-20% of its operations.

Q3 also saw a strong rebound from the economic shutdowns in Q2. BAM's Q3 FFO per share climbed about 20% against Q3 2019.

The stock is getting ready for the next leg up

In Q3, Brookfield Asset management raised US\$18 billion of private fund capital. Not surprisingly, in today's troubled economic environment, two-thirds of the raised capital was put to work in its latest distressed debt fund. In the last 12 months, it raised US\$40 billion. The global alternative asset manager is able to raise these funds, seemingly with a breeze, due to its track record of generating high rates of returns of 12-15% in the long run.

BAM invests in real estate, renewable power, infrastructure, private equity, and credit (via its controlling stake in Oaktree that largely deals with distressed debt). Because of the diversity of its investments — type of assets and different geographies — it can invest in the best opportunities for fabulous risk-adjusted returns.

As a manager, it generates management and performance fees. Its fee-related earnings grew 36% over the last 12 months, thanks partly to the Oaktree acquisition. In the period, it realized carried interest of US\$482 million that added to its income, while its unrealized carried interest has accumulated to US\$4 billion. These will be realized and paid to BAM towards the end of the life of a fund after the capital is returned to investors.

Spinning off *again*?

[BAM](#) has already spun off its real estate, renewable power, infrastructure, and private equity businesses into publicly-traded entities, making it easier for investors to invest in different parts of its businesses and making it easier for it to raise money from the financial markets. It owns large stakes in these businesses of about 30-60%. So, BAM's interests are well-aligned with those of its shareholders.

Well, excitement is in the air again! BAM is spinning off its reinsurance business in the first half of 2021. It'll be like a stock split for existing BAM shareholders.

Past spinoffs sometimes led to selloffs when the new stock initially started trading on the market, as some existing BAM shareholders didn't want to hold the spun-off shares. So, you might see a selloff in the reinsurance shares when they trade on the market. If they do crash, it would be an incredible opportunity to load up!

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