



Is Brookfield Asset Management a Buy in February 2023?

Description

The equity markets have gained significant momentum in early 2023 after trading lower in the last 12 months. There is a good chance for stocks to surge higher in the second half of 2023, especially if the macroeconomic situation improves.

The time is ripe for adding blue-chip stocks to your equity portfolio right now and benefiting from outsized gains when the next bull market resumes. One such TSX stock you can buy is **Brookfield Asset Management** ([TSX:BAM](#)). Let's see why.

The bull case for BAM stock

Brookfield Asset Management is one of the largest alternative asset managers in the world. It manages more than US\$750 billion of customer funds that are deployed across verticals such as renewables, infrastructure, real estate, and private equity. The diversified asset manager aims to deliver risk-adjusted returns over the long term to its clients and investors.

Brookfield can easily access large-scale capital allowing the investment behemoth to invest in or acquire sizeable high-quality assets across geographies and asset classes, diversifying overall risks.

BAM is looking to double the size of its business in the next five years and forecasts fee-bearing capital to touch US\$1 trillion. Its diverse and resilient investment profile enables Brookfield to generate cash flows across market cycles, as the company's revenues are sticky and contracted via long-term agreements.

Equipped with a capital-light and zero-debt balance sheet, Brookfield Asset Management has more than US\$3 billion in cash to support future growth. It targets a payout ratio of 90%, as the asset manager enjoys a strong and enviable growth profile.

In December 2022, **Brookfield Corp.** and Brookfield Asset Management completed the public listing and distribution of a 25% interest in the former's asset management business. So, now investors can gain exposure to the pure-play, global alternative asset manager in BAM, while Brookfield Corp will

deploy capital across its operating businesses, grow cash flows, and aim to compound capital over time.

What's next for BAM stock price and investors?

Prior to the split with Brookfield Corp, BAM generated US\$2 billion in fee-based earnings. According to BAM, its stock price was then worth between US\$32 and US\$45 per share. The company is optimistic about growing its earnings between 15% and 20% each year over the long term. It continues to expand its AUM, which should increase overall fee-generating capacity in addition to interest earned on capital.

Brookfield forecasts fee-based earnings to touch US\$4.5 billion while net carried interest income might stand at US\$1.5 billion by 2027. Based on these estimates, Brookfield believes its share prices should range between US\$71 and US\$94 by 2027, indicating an upside potential of between 100% and 200%.

As stated earlier, Brookfield Asset Management is asset-light and can easily distribute the majority of cash flows to shareholders via dividends. Its quarterly dividend payout is expected to be US\$0.32 per share, indicating a forward yield of over 4%, which is quite tasty for the income-seeking investor.

These payouts should increase each year as Brookfield's cash flows will move higher in 2023 and beyond. BAM stock is a [large-cap company](#) with predictable cash flows and an attractive dividend yield, making it a top buy right now.

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