



Should You Buy Power Corporation of Canada Following its Strong Q4 Earnings Release?

Description

Power Corporation of Canada ([TSX:POW](#)), one of the world's largest diversified international management and holding companies that has interests in the financial services, communications, and media industries, announced fourth-quarter earnings results in the second-half of the trading session on March 18, and its stock responded by falling over 1%. Let's break down the quarterly results to determine if we should consider using this weakness as a long-term buying opportunity.

Breaking down the fourth-quarter results

In the fourth quarter of fiscal 2014, Power Corporation's net earnings increased 23% to \$369 million, or \$0.80 per share, compared to the \$300 million, or \$0.65 per share, earned in the same quarter a year ago. This strong performance was driven by the company's power financial segment, which reported operating earnings growth of 30.6% to \$346 million compared to the year-ago period.

Here's a quick breakdown of six other notable statistics from the report compared to the year-ago period:

1. Operating earnings increased 56% to \$340 million
2. Operating earnings increased 57.4% to \$0.74 per share
3. Other items, not included in operating earnings, increased 105.6% to \$37 million
4. Non-operating earnings decreased 66.7% to \$0.06 per share
5. Income from investments increased 72.7% to \$57 million
6. Operating and other expenses increased 5.9% to \$36 million

Power Corporation also announced a 6.4% increase to its quarterly dividend to \$0.3725 per share, and the next payment will come on May 1.

Is now the time to buy shares of Power Corporation of Canada?

I think the post-earnings weakness in Power Corporation's stock represents a great long-term buying opportunity because it trades at inexpensive valuations and pays a very generous dividend.

First, Power Corporation's stock trades at just 11.9 times fiscal 2014's earnings per share of \$2.77 and only 11 times fiscal 2015's estimated earnings per share of \$3.00, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 12.3.

Second, the company now pays an annual dividend of \$1.49 per share, which gives its stock a bountiful 4.5% yield at current levels, and I think this makes it qualify as both a value and dividend play today.

With all of the information above in mind, I think Power Corporation of Canada represents one of the best long-term investment opportunities in the market today. Foolish investors should take a closer look and strongly consider establishing positions.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:POW (Power Corporation of Canada)

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