



Power Corporation of Canada: the 4.5% Yield Is too Good to Pass up

Description

Power Corporation of Canada ([TSX:POW](#)) is a company that's a bit difficult to wrap your head around. Labeled an "international management and holding company," it has diverse interests in financial services, communications, energy, and many other sectors throughout the Americas, Europe, and Asia.

It has a fairly complicated business structure, but a bit of digging shows that this \$12 billion conglomerate is one of the better values today.

What does Power Corporation own?

Power Corporation's primary investments can be broken down into four stakes: a 65.7% interest in Power Financial Corp., a 100% stake in Square Victoria Communications, a 100% stake in Power Energy Corp., and full ownership of the Sagard Funds.

Making it even more complex, these primary stakes also own interests in a litany of other companies. For example, Power Financial owns a 62.7% stake in **Great-West Lifeco Inc.** ([TSX:GWO](#)) and a 58.8% stake in **IGM Financial Inc.** ([TSX:IGM](#)).

Fortunately, many of its stakes are public, so we can get a pretty good idea what some of them are worth.

Investors are getting a bunch of businesses for free

Great-West Lifeco Inc. shares currently trade at \$32.70. This means that Power Financial's stake is worth roughly \$22.3 billion. Meanwhile, IGM Financial Inc. shares are trading at \$35.80, implying a \$5.2 valuation for Power Financial's ownership.

Because Power Corporation owns 65.7% of Power Financial, Power Corporation's total stake in these two public companies alone is worth \$18.1 billion. If you subtract out roughly \$4 billion in net debt, its stake is worth \$14.1 billion. That's more than the entire market cap of Power Corporation!

That means that without even calculating the value of the rest of the businesses, you're getting shares at a discount to assets. Investors are getting Power Corporation's 100% stake in Square Victoria Communications, a 100% stake in Power Energy Corp., and full ownership of the Sagard Funds for free. These are likely to be worth several billions.

This type of value is very rare.

A 4.5% dividend to tide you over

While it may take time for a value stock to reach its full potential, investors can find comfort in receiving an outsized dividend every quarter that results in a 4.5% yield. In June, Power Corporation upped its payout from \$0.29 a quarter to \$0.31.

With plenty of financing available to the company, this is another rare instance of receiving a market-beating dividend with no concerns over its viability.

What's not to like?

Since 2000, shares in Power Corporation have beaten the TSX average by nearly 100%. This isn't an accident. By allocating capital to long-term, undervalued businesses, Power Corporation has shown an enduring ability to beat the markets.

Today, investors can snag shares at a glaring discount and be paid to wait. With markets showing increasing levels of volatility, investing in long-term winners like Power Corporation is always a good bet.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GWO (Great-West Lifeco Inc.)
2. TSX:IGM (IGM Financial Inc.)
3. TSX:POW (Power Corporation of Canada)

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Date

2025/09/05

Date Created

2015/09/16

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