



CI Financial Corp.: A Great Stock for Contrarian Investors

Description

CI Financial Corp. ([TSX:CIX](#)) is having a rough time these days. Year-to-date, the stock has declined 8.4%, and over the last three years, it has declined almost 30%. Clearly, there are issues related to this company that are sending the shares lower and making analysts more bearish on the stock, namely, competition from the big banks and ETFs, fee pressure, and increased regulatory risks.

But this is exactly what a contrarian's dreams are made of: a stock that has fallen to levels not seen in years, and a quality company whose industry and/or business is going through hard times, but whose financials are still strong and have hope for a turnaround or improvement. And imagine if we can get that at a bargain price? Well, at this very moment, this may be the situation that investors are faced with in CI Financial, one of Canada's largest mutual fund companies.

Although 2016 was a year of net redemptions for CI Financial, management has noted that the company has a strong pipeline for 2017 and that its strong advisor relationships and sales initiatives are expected to translate into a stronger 2017. Improving trends were already seen in the fourth quarter of 2016 with AUM increasing 6% year over year, free cash flow per share increasing 2%, and dividends per share increasing 5%.

Going forward, I would expect that synergies from recent acquisitions will increasingly be reflected in CI Financial's expenses, as both the First Asset and Grand Samuel acquisitions will continue to be integrated. Margins should therefore be expected to improve from current levels.

These acquisitions are part of CI's strategy to respond to market trends and to grow and expand its presence globally. Scale is critical and further consolidation in the industry is inevitable and will continue. CI Financial is well positioned to be a consolidator.

First Asset strengthens CI Financial's presence in the fast-growing ETF market, and Grand Samuel gives CI Financial a good presence in the Australian market, where there are good opportunities for growth.

Returning cash to shareholders

CI Financial continues to return cash to shareholders via dividend payments and share buybacks. In the fourth quarter of 2016, the company once again paid out \$154 million in free cash flow in the form of dividends and buybacks. For those of us looking for income in our portfolios, this stock has an attractive dividend yield of 5.15%.

In summary, in my view, this stock is one that makes a good addition to investors' portfolios for its dividend yield and income generation as well as for its upside. The stock is attractively valued.

CI Financial has a good standing in its industry and is taking steps to respond to its changing industry.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CIX (CI Financial)

PARTNER-FEEDS

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