



You're Sly Like a Fox to Own This Financial Stock

Description

Out of 41 financial stocks on the **S&P/TSX Composite Index** with a share price greater than \$10 and market cap above \$100 million, **Power Corporation** ([TSX:POW](#)) has the eighth worst performance of the bunch — down 23% over the past year.

Trading close to \$25, the great Quebec holding company that once sold for more than \$40 in 2007 is now having difficulties getting any positive news coverage despite the fact Power Corporation stock is insanely cheap at the moment.

It's too darn cheap

Trading at 7.7 times its forward P/E ratio, a level it hasn't seen since 2015, the company has made some venture and private equity investments in some diamonds in the rough that are given almost no value based on the POW share price.

Long-time shareholders of Power probably feel like POWs, unable to jettison themselves from this crazy nightmare.

Unfortunately, because the Desmarais family have a vice-like grip on much of the company's voting shares, activist investors won't come near it.

I'm not suggesting that Bill Ackman ought to take a billion-dollar position in the company and start telling the Quebec billionaires how to run their business, but even the most ardent supporters like myself are starting to get a little impatient.

In fact, a stock like POW is a big reason most investors should own ETFs. Who has the patience to wait three to five years or more to get a reasonable return on their investment? Not many.

And once the bull market officially comes to end — if it's not there already — where is Power going to find interested investors willing to play the waiting game? I honestly don't know.

Once upon a time you could expect value investors to jump into the breach, but it seems there aren't

many of them left in the world. They've all been beaten into submission by a decade-long run.

Well, at least in the U.S., anyway.

My nemesis was right

Don't you hate when you have to eat crow. I sure do.

Back in February 2016, I [recommended](#) Power's stock, suggesting that it traded at a bigger discount to its intrinsic value than **Power Financial**, its 65.5%-owned subsidiary.

Between the obscenely cheap valuation and the stock's 4.97% yield, I figured it had to rebound at some point. It briefly did in early 2017, but it's been downhill ever since.

A few short months after my February recommendation, Fool contributor Joey Frenette said he wouldn't touch its stock. And so began a friendly competition between the two of us to see how many stocks we could disagree.

I say that in jest because there are times when we're on the exact same wavelength on a stock but it was Power that lit the fuse.

"There are many other great international businesses under the Power Corporation umbrella, but **IGM Financial** and Square Victoria Communications Group should be reasons to stay out of the stock, no matter how cheap it is," Frenette [wrote](#) January 3, 2017.

Square Victoria owned *La Presse*, the French daily in Montreal. It ultimately became a nonprofit in 2018 and has no ties to the company anymore.

IGM coming on

As for IGM, I believe that CEO Jeff Carney is doing a good job [transforming](#) the old Investors Group into a financial and asset management advisory where knowledge and credentials actually mean something.

In IGM's most recent quarterly report, the company increased its adjusted net earnings by 28% from 72 cents in Q3 2017 to 92 cents in Q3 2018. That's not bad for a company that my colleague believes is on a death march.

The fact is, Carney's remaking Investors Group to cater to high-net-worth investors, and that type of client wants competitive, transparent fees to go along with top-notch service and advice.

That's why all advisors working at IGM will have to obtain their Certified Financial Planner designation within a reasonable amount of time if they want to stay with the firm long term.

If IGM were a baseball game, it hasn't even gotten to the seventh-inning stretch.

So, if you're considering buying Power's stock because it's so darn cheap, do it.

The best is yet to come.

CATEGORY

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Date

2025/08/25

Date Created

2019/01/11

Author

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