



## If You Like Stock Buybacks, This Company's a Smokin' Buy

### Description

Longtime **Power Corporation** ([TSX:POW](#)) shareholders had to be wondering when they would get some good news to drive its stock higher.

They finally did March 4 when the holding company announced that it, along with majority-owned subsidiaries **Power Financial** and **Great-West Lifeco**, would repurchase \$5 billion in stock.

Power Corporation's portion of the buyback is \$1.35 billion. It will be through a modified Dutch auction that allows shareholders to sell shares to the company between \$28.50 and \$33. Power Corporation will purchase up to 47.4 million shares under the buyback, which represents 11.4% of the company's outstanding shares.

"We believe the bid to repurchase the corporation's shares in the current market environment is an opportune use of our capital resources," said Paul Desmarais Jr., Power Corp's chairman and co-CEO.

No kidding.

Since Power Corporation announced its share-repurchase plans, POW stock is up 10% — the biggest gain it's seen in a short period since September 2017. Year to date through March 26, POW is now up more than 28% including dividends.

I rarely view share repurchases in a positive light because companies tend to pay too much for its shares. However, in this case, investors weren't buying what Power Corporation was selling, keeping the share price artificially lower than it should have been.

A quick and efficient purchase of its shares allows the company to put its money where its mouth is. I like the move. And you should too. Here's why.

## Wealth is simple

I've been [shouting](#) from the rafters about Wealthsimple, Power Corporation's unsung hero.

Founder Michael Katchen's building a great business for individuals and financial advisors. Started as a robo-advisor providing ETF portfolios including re-balancing at a reasonable price, it's expanding its suite of products and services to attract every demographic, including high-net-worth investors.

For example, Wealthsimple launched Generation in January — its service for people with assets of \$500,000 or more to invest. Charging 0.4% annually on those assets, clients receive comprehensive financial reports and have access to a team of advisors, not to mention getting some perks such as access VIP airline lounges, etc.

"With Wealthsimple Generation we can provide the personalized, sophisticated advice that clients need in a modern way — on demand, and enhanced with digital experience," CEO and co-founder of Wealthsimple Michael Katchen said at the time. "We won't schedule face-to-face meetings, but we'll be there for you and your family whenever and wherever you need us."

It might sound like a whole lot of nothing. However, high-net-worth investors today are much more digitally savvy and welcome this kind of service. Do you care to meet someone if the advice you receive is low-cost and financially sound?

I didn't think so.

On March 13, Wealthsimple launched its stock-trading app. For DIY investors, it couldn't have come any sooner. With it, investors can buy thousands of Canadian and U.S. stocks and ETFs. Most importantly, it's commission-free.

These aren't the things Canadians are used to getting. We're usually an afterthought for American tech entrepreneurs. That fact that Michael Katchen worked in Silicon Valley before launching Wealthsimple in September 2014 says a lot about where he's taking the company.

## The bottom line on Power Corporation

While the \$1.35 billion share repurchase is good for investors, Power Corporation stock won't move much higher without real financial catalysts such as Wealthsimple driving the top and bottom line.

At \$31, I still think POW stock is a [value play](#), despite the issues its subsidiaries face.

It's time Fools took a closer look. There's more than meets the eye.

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1. Investing

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