



3 Reasons to Ride This Stock's Exciting Rebound

Description

If you look at the performance of **Power Corporation** ([TSX:POW](#)) stock in 2019, you'd swear it was a momentum stock. Up 30.9% year to date including dividends through April 8, that's the farthest thing from the truth.

The reality is that POW stock hasn't broken 30% annual returns since 2013 and 2009 before that. For most of the past five years, it's been range bound between \$25-\$35. Only once as a public company has it broken through the \$40 barrier.

As we head into the fourth month of 2019, here are three reasons why it might test \$40 later this year, only the second time in its history.

Consolidating its insurance brands

On April 3, **Great-West Lifeco** ([TSX:GWO](#)), Power Corp.'s insurance subsidiary, which it controls through its 65.5% stake in **Power Financial** (TSX:PWF), which in turn owns 67.8% of Great-West Lifeco, announced that it was folding Great-West Life and London Life into its 100%-owned Canada Life subsidiary.

The three insurance brands will all operate under the Canada Life banner, something that should have happened years ago.

"Today marks the beginning of an exciting evolution for our organization, as we start our transition to a new brand across Canada," said Paul Mahon, President and Chief Executive Officer, GreatWest Lifeco. "The new Canada Life brand is more than just a logo. It's a representation of who we are as a company, what we stand for and the promises we make to our customers."

The truth is, by amalgamating all the brands, Great-West Lifeco will save a lot of money by simplifying both the marketing and underwriting of insurance. Both customers and insurance advisors will appreciate the efficiencies under a single Canada Life banner.

Power Corp. shareholders will be glad to see as many overlaps between the three brands disappear. It's a big step forward for both Power Corp. and Power Financial.

Let the buybacks begin

In late March, I highlighted the positives of Power Corp.'s \$1.35 billion share repurchase plan that will see it buy back as many as 47.4 million of its shares from existing shareholders who want to exit their investments.

If Power Corp. maximizes the share buyback, it will have cut its outstanding share count by 11.4%, which would translate into higher future earnings per share, driving its stock price even higher.

Like Warren Buffett buying back **Berkshire Hathaway** stock, Power Corp. sees the benefit of share repurchases, especially below \$30. I think it's a smart move. Investors have ignored the Power Corp. story for too long.

Investors weren't buying what Power Corporation was selling, keeping the share price artificially lower than it should have been," I [wrote](#) March 27. "A quick and efficient purchase of its shares allows the company to put its money where its mouth is."

Not to mention the share repurchases will help keep Power Corp. stock trading above \$30 until more good news can act as a catalyst to push its shares higher still.

Wealthsimple's ongoing innovation

Canada rarely gets innovative technology at the same time as the U.S.

Take Robinhood, the stock trading app that provides commission-free trades. It launched in 2014. Five years later, Wealthsimple (majority owned by Power Corp. and its subsidiaries) has launched a stock and ETF trading app that provides commission-free trades.

You won't get every stock on North American exchanges, but you do get the ones you ought to consider buying, which not only makes it cheaper to trade but it also pushes investors into higher quality companies.

Companies like the ones we cover at Fool Canada.

Now in business for more than five years, Wealthsimple's managed to gather more than \$3 billion in assets under management from Canadians and Americans who are looking for good advice and reasonable fees.

If you're a DIY investor, you might not like Wealthsimple, but if you're someone who has a core portfolio of ETFs and invests a small amount in stocks as well, it's right up your alley.

Wealthsimple continues to be the least known and most underrated part of the Power Corporation [stable](#).

I expect it to be a significant contributor as POW stock moves to \$40 and higher.

CATEGORY

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

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