



## This Investment Manager's Stock Is Soaring on Today's Q1 Earnings Beat!

### Description

Shares in one of Canada's pre-eminent investment management firms, **CI Financial** ([TSX:CIX](#)) are up more than 3.6% as of mid-day trading on Thursday on the back of a strong first-quarter earnings beat.

Find out exactly what the company's been doing right in turning its struggling business around and why today's price action is more likely to be a sign of things to come rather than a flash in the pan, and why there's still plenty of time to get in on this exciting trade.

CI's earnings for the first quarter ended March 31 clocked in at \$0.58 per share, surpassing analyst estimates by more than \$0.16 per share, or 38%.

While sales were down in the quarter over the year-ago period, management was successful in sticking with a cost-disciplined approach that saw a year-over-year reduction in quarterly expenses while still managing to make meaningful investments into the future of its business.

Going forward, CI's plan is to focus on its two most important initiatives of a new and improved digital strategy alongside a modernization of its existing product lineup.

In January, CI acquired FinTech firm WealthBar Financial Services, and in its first-quarter press release the company said it's already begun to implement WealthBar's technology within its existing organizational infrastructure.

Essentially, WealthBar is a robo-advisor that helps Canadian investors with financial advice, including financial planning tools and investment management at a fraction of the cost of what traditional financial advisors would typically charge.

The robo-advisor model is one that has been garnering a lot of attention in recent years, and it's easy to see how CI would want to defend its market position against an emergent technological threat.

Certainly, if management can find a way to leverage the recently acquired technology to deliver customizable solutions for its clients at a reduced cost, it should go a long way in helping it to continue to keep operating costs in check for the foreseeable future.

Meanwhile, if technology is the answer to keeping operating costs down, the other side of the solution to delivering renewed profit growth at CI will be its ability to re-engage clients with fresh, exciting investment strategies.

CI, along with [several other asset managers](#), has in recent years been leveled with criticism that it needs to update its existing business model or risk becoming extinct.

CI in particular has struggled over the past 12 months in seeing investors leave some of its flagship funds in search of opportunities elsewhere.

Thankfully for shareholders, it would appear that management has already begun to step up to the challenge of delivering a more fashionable line of investment products to the firm's current and prospective client base.

In January, CI launched Mosaic ETF Portfolios, an investment solution designed to blend the benefits of exchange-traded funds with the accessibility of a traditional mutual fund structure.

These portfolios, managed internally by CI's Multi-Asset Management division, combine investments across a wide range of ETFs that are actively managed through the convenience of a single mutual fund investment.

By accessing these funds, not only do clients get the benefit of exposure to some of the most popular ETFs, but they also get the benefit of having an experienced team of investment professionals handle the decision-making responsibilities on their behalf.

## Bottom line

CI reported first-quarter earnings per share of \$0.58 and free cash flow of \$143.5 million.

But the bigger story with CI, as far as I'm concerned, continues to be the vast sums of cash that it's been returning to shareholders.

CI repurchased \$60.8 million worth of its own common stock during the first quarter and paid out \$43.9 million in regular dividends, collectively representing an 8.7% all-in shareholder yield when you annualize it.

With the CIX shares continuing to trade below a 10 times price-to-earnings multiple, this continues to be an [investment thesis](#) still firmly in play.

## CATEGORY

1. Dividend Stocks
2. Investing

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