



Power Financial (TSX:PWF) Stock: A Forgotten Financial Powerhouse

Description

It's been over four months since the Motley Fool has published an article about **Power Financial Corporation** (TSX:PWF). There was only one article written about the stock in 2018.

Despite the hefty dividend of 6.7%, Power Financial hasn't generated much press lately. Why has the investment world seemingly forgotten about this financial powerhouse?

Impressive earnings

In 2018, Power Financial reported net earnings of \$2.2 billion, up from \$1.7 billion the previous year. The company has a market cap of \$18.4 billion. Last year, adjusted net earnings were the highest in the company's history at \$2.3 billion.

Power Financial's operating companies are **Great-West Lifeco** and **IGM Financial**. Together, these companies retain \$847 billion of assets under management. Power Financial is also a significant shareholder in **Pargesa Group**, based in Europe. Pargesa has holdings in various global industrial and services companies, including **adidas**, the sports equipment maker.

The stock, as of this writing, is trading at \$30. The 52-week range for the stock is \$25-\$32.

Growth through acquisitions

Power Financial is actively deploying capital into businesses with the potential for high organic growth. One example is Wealthsimple, Canada's leading investment robo-advisor. The growth from the company's existing businesses has slowed, and Power Financial is banking on acquisitions to fill the void.

In addition to the acquisitions, Power Financial is seeking to sell businesses that the company no longer believes will contribute to growth. For example, Great-West Lifeco recently announced the sale of its U.S. life insurance arm for \$1.6 billion.

Three core businesses

Great-West Lifeco is an international financial services holding company with interests in life and health insurance, retirement savings, investment management, and reinsurance businesses. The company claims to service over 31 million customers through asset management and advisory services for individuals and institutions across the U.S. and Canada.

IGM Financial is a leading wealth and asset management company with almost \$150 billion in total assets under management. Its network of over 30,000 financial advisors work under the banners of IG Wealth Management, Mackenzie Investments, and Investment Planning Counsel. This business contributed \$767 million in net earnings to Power Financial in 2018.

Together with the **Frere Group** of Belgium, Power Financial holds a controlling interest in Switzerland-based **Pargesa Holding**, the Pargesa Group's parent company. Through its subsidiary, Groupe Bruxelles Lambert, Pargesa maintains interest in 10 various global industrial and services companies throughout Europe. These holdings include companies with a broad range of interests from leisure parks to personal hygiene to oil and gas.

Emerging fintech industry

While much of Power Financial's investment businesses are focused on the traditional model of the personal relationships between financial advisors and clients, the company is expanding its reach into the emerging fintech industry.

Power Financial is looking to capitalize on the excitement surrounding fintech. The company believes "fintech will change business models in financial services, making financial advice, insurance and investment services more accessible to consumers and available to them by the means and at the times that best suit them."

In addition to the company's interest in Wealthsimple, the company has made significant investments in Personal Capital, a popular digital financial services provider. While Wealthsimple targets consumers seeking online investment management for low-cost index funds, Personal Capital targets the mass affluent and high-net-worth investor segments.

Reasons to invest in Power Financial

Although Power Financial's stock has shown little growth in the past 10 years, it's hard to pass up a dividend of 6.7%. The dividend has increased in each of the past five years. The company also offers some safety through diversification. Although most of the company's holdings are in the financial services sector, the underlying assets of Pargesa are well diversified. This diversification offers some protection if one of the constituents underperforms.

The stock also trades at a [discount to the sum of its parts](#). Great-West Financial, IGM Financial, and Pargesa are publicly traded companies, but when purchased through Power Financial, there is a discount. Historically, this discount has been 25%.

While Power Financial seems to be left out of the headlines of late, there are reasons to remember this stock as an addition to your dividend-paying portfolio.

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