Why This High-Dividend-Yield Asset Manager Stock Is a Screaming Buy

Description

How does a company become one of Canada's third-largest independent publicly traded asset management companies? Answer: It swallows other companies to grow bigger. That's been **Fiera Capital's** (TSX:FSZ) *modus operandi* since 2012. With 20 acquisitions in seven years, and two since the start of this year, Fiera is on an aggressive growth path, currently managing assets close to $150 billion.

And the company is far from done. Fiera is still only the 76th largest player in North America. This means it has a lot of room to grow. Smaller asset managers should be afraid of rolling out a red carpet for Fiera, depending on their management style. Fiera delivers customized multi-asset solutions across traditional and alternative asset classes to institutional, retail, and private wealth clients across North America, Europe, and key markets in Asia.

Acquisitions this year

Fiera Capital acquired Foresters Asset Management, an Ontario-based investment management firm with approximately $10.5 billion in AUM (assets under management) in April this year as well as an 80% interest in Palmer Capital, a U.K.-focused real estate investment manager, made through Fiera Real Estate, adding approximately $740 million in AUM. This is Fiera's first real estate play outside Canada.

Fiera also acquired Integrated Asset Management in March, adding over $3 billion in AUM and committed capital. The company entered a strategic partnership with Natixis Investment Managers (Natixis manages $924 billion worth of assets) that established Fiera Capital as Natixis's preferred Canadian distribution platform. Natixis acquired an 11% stake in Fiera.

The numbers game

Though revenues for the second quarter of 2019 ($149.9 million, an increase of 19%, compared to $126.2 million for the same period last year) and adjusted EBITDA ($45.8 million, an increase of 40%, for the comparable 2018 period) were higher, Fiera reported a net loss of $5.5 million (-$0.06 per share compared to -$0.02 per share for the same 2018 period). These figures are the reason why the stock has been listless for some time now, but they are also the strongest reason to acquire shares of Fiera.

The stock is currently trading around $10.5 and has a forward price-to-earnings multiple of seven. Fiera stock seems to be grossly undervalued considering its estimated five-year earnings growth of 17.4% and high dividend yield.

The company has announced that it will pay dividends of $0.21 per share per quarter, or $0.84 per share annually. This means the dividend yield stands at a solid 8%. It is the 13th time that the company has increased its dividend payout in seven years. As Fool contributor Nelson Smith reported, analysts think Fiera's acquisitions and partnerships will result in earnings increasing from $1.29 per share in 2019 to $1.46 per share in 2020.

But analysts believe the stock is poised for take-off. All eight analysts covering the stock last quarter have given it a "buy" or "strong buy" rating with a minimum target of $11.5 and a maximum of $15 in a year. That's almost a 50% appreciation from current levels.

The verdict

All the arrows point to a buy for Fiera Capital. It has everything that you expect from an income stock: growing sales, a good dividend payout, and a stable outlook. Fiera Capital is a stock that's screaming to be bought.

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