



1 Canadian Stock With a Solid Dividend Yield Has the Potential to Double Your Investment

Description

Shares of **Fiera Capital** ([TSX:FSZ](#)) have been on a tear recently. The stock has gained 15% since the start of October 2019. I first identified Fiera Capital as undervalued on [October 13 this year](#), and the stock has returned 9.6% in just over a month.

This stock has the potential move higher, especially if recession fears abide and the broader market continues to touch record highs.

Strong quarterly results

Fiera Capital is a Canada-based financial services company that provides investment advisory and related services to institutional investors, private wealth clients, and retail investors. In 2018, the company generated 49.3% of sales from Canada, 36.4% of sales from the U.S., and 13.5% of sales from other international markets.

Earlier this month, Fiera Capital announced its third-quarter results and reported sales of \$160 million — growth of 17% year over year. Adjusted EBITDA rose from \$36.6 million in the third quarter of 2018 to \$46.6 million in the third quarter of 2019. Adjusted earnings per share rose from \$0.29 to \$0.32 in the same period. Analysts expected Fiera to report EPS of \$0.29, and this earnings beat sent the stock higher over the last week.

The company's AUM (assets under management) rose 15% year over year to \$164.7 billion. Fiera's AUM and sales were driven higher by its acquisition of Foresters Asset Management, Integrated Asset Management (IAM), and Natixis Investment Managers Canada.

While Foresters added \$11.2 billion in AUM, IAM and Natixis added \$2 billion and \$1.8 billion, respectively, in Q3. Institutional investments account for 56.4% of total AUM followed by the Retail and Private Wealth at 23.3% and 20.3%, respectively.

Fiera's CEO and chairman Jean-Guy Desjardins stated, "Our focus during the third quarter was on

integrating our recently closed acquisitions and building a strong global operations and IT platform.”

Vincent Duhamel, Fiera’s COO, claimed, “We are very pleased with our third-quarter results and 29.1% adjusted EBITDA margin as we continue to make progress on several fronts. The rigour and effectiveness of our teams’ acquisition integration efforts surpassed our expectations, particularly with Foresters Asset Management, which was successfully integrated prior to the closing of the transaction.”

What next for investors and Fiera Capital?

Fiera Capital is valued at \$1.16 billion in terms of market cap, or 1.8 times forward sales. The company is expected to increase sales by 18.9% to \$642.13 million in 2019 and 11.7% to \$717.48 million in 2020. Comparatively, its earnings are estimated to rise by 23.4% in 2019, 13.6% in 2020, and at an annual rate of 14.8% over the next five years.

The stock has a solid dividend yield of 7.4%, as it pays annual dividends of \$0.84 per share. Fiera stock has an estimated five-year PEG ratio of 0.58 and is trading at a price-to-book ratio of 2.1. Compare these metrics to the stock’s forward price-to-earnings multiple of 7.7, and we can see that the stock is grossly undervalued, despite the recent upward spiral.

It has a debt balance of \$818 million at the end of Q3. Fiera’s cash balance stands at \$612 million and ended Q3 with an operating cash flow of \$137 million, indicating enough reserves to pay back debt and continue its dividend distribution.

I am bullish given the stock is undervalued in an overvalued stock market. However, if recession fears come true investors can expect Fiera Capital shares to tank. Investors are most likely to liquidate their investments in a market sell-off, which will directly impact Fiera’s base management fees and performance fees revenue.

Analysts too remain bullish and have a 12-month average target price of \$13.32, which is 16% higher than the current trading price.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FSZ (Fiera Capital Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/09/26

Date Created

2019/11/19

Author

araghunath

default watermark

default watermark