



## TFSA Dividend Investors: 1 Holding Company Creating Shareholder Value

### Description

**Power Corp.** ([TSX:POW](#)) is a well-managed [holding company](#). In 2020, a significant number of initiatives were announced to simplify the company's group, sharpen focus, create value, and explain the company's story with greater clarity. The initiatives follow the adoption of a new strategy, which emphasizes financial services, not diversification.

### Simplified group structure

The strategy was announced as part of a reorganization completed in February of 2020, whereby common shareholders of Power Financial became shareholders of Power Corporation, simplifying the company by eliminating the dual-holding company structure. The reorganization was followed in March with the announcement that shareholders of a Swiss holding company owned by Power would become shareholders of a Belgian holding company also owned by the group, further simplifying Power.

The Power strategy may be new, but the company is following the same [long-standing principles](#) that Power's business has been built upon over many decades. Power is taking a long-term perspective to value creation and working on building leading franchises with attractive growth profiles. The company provides active governance oversight of Power's companies, and it maintains a strong balance sheet and a prudent approach to risk management.

### Revamped value-creation strategy

The value-creation strategy is based upon three key levers. These include organic growth at each of Power's publicly traded operating companies, augmenting that growth through the deployment and redeployment of capital and actions taken by the company at the Power holding company level.

The group's insurance holdings are pursuing higher earnings and cash flow growth by capitalizing on the significant investments made over the past few years. The companies are seeking to augment that growth through an active acquisition strategy and by reducing capital from businesses that are not expected to meet return thresholds over time. Power's Belgian subsidiary is continually evaluating and

working with companies within it in order to generate attractive returns for shareholders.

## Lucrative asset management business

Power's publicly traded operating companies were very active in 2020 in deploying capital. At the Power level, the company is creating alternative asset management businesses, building upon the investment capabilities that have been created over many years in several high-growth asset classes. Power's intent appears to be to provide seed capital to the different investment products and have the businesses' growth fuelled by raising third-party capital. The goal is to provide attractive returns on Power's seed capital, augmented in time with profits earned as the asset manager, which are expected to emerge as the businesses achieve sufficient scale.

Sagard Holdings, owned by Power, currently has teams managing private equity, private credit, private wealth, fintech venture capital and healthcare royalty strategies. Similarly, Power's sustainability division has teams managing renewable energy infrastructure and China public equity strategies. Both have made substantial progress in raising third-party capital. For example, Sagard Holdings announced in December the first closing of a \$650 million private credit fund, while in January of this year the sustainability announced the formation of an energy infrastructure fund with \$1 billion in commitments, including substantial third-party commitments.

Overall, Power's asset management strategies could significantly increase the intrinsic value of the company.

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