



The Best Canadian Stock I'd Buy With \$500 Right Now

Description

The leadership and employees at **Power Corporation** ([TSX:POW](#)) acted quickly to respond to the very large challenges posed by COVID-19. Executives switched rapidly to a remote-working model, all the while prioritizing the health and safety of employees. Power's financial services companies provided relief to clients by implementing numerous payment deferral and special loan programs. Further, Power's companies also stepped up to help communities and many health and charitable institutions by providing financial support and by volunteering time and energy.

Significant initiatives

While battling the challenges of COVID-19, Power appears to have embarked on an [ambitious journey](#) to create value for clients, and the company's shareholders. In 2020, a significant number of initiatives were announced to simplify the Power group, sharpen the company's 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.

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 company is following long-standing principles that Power's business was built over many decades.

Long-term perspective

In addition, the company takes a long-term perspective to [value creation](#) and endeavours to build 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.

Power's value-creation strategy appears to be based upon three key levers. First, the company focuses on organic growth at each of Power's publicly traded operating companies. Second, Power

works on augmenting that growth through the deployment and redeployment of capital. Finally, management take actions at the Power Corporation level to maximize intrinsic value.

The company's financial arms are pursuing higher earnings and cash-flow growth by capitalizing on the significant investments made over the past few years. Power's subsidiaries 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.

Active acquisition strategy

Furthermore, Power's Belgian subsidiary is continually evaluating and managing the company's portfolio and working with companies within it in order to generate attractive returns for shareholders and add to the company's long record of success. Power's publicly traded operating companies were very active in 2020 in deploying capital and realigning the company's businesses.

In June, Empower Retirement, the United States (U.S.) retirement business of Power, announced that it was acquiring Personal Capital, a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. The purchase price was \$825 million, with the potential to be increased to \$1.0 billion.

Empower followed in September with the announcement that it was acquiring the retirement business of Massachusetts Mutual Life Insurance Company, which serves 2.5 million individuals through 26,000 group retirement plans for a total transaction value of \$3.35 billion. The two transactions could greatly enhance the intrinsic value of Power and lead to a higher stock price.

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2. Editor's Choice

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