1 Canadian Growth Stock That Could Make You Very Rich

Description

Power Corporation of Canada (TSX:POW) is creating an alternative asset management business by building upon the investment capabilities that have been created over many years in several high-growth asset classes. The goal is to have Power provide seed capital to the various investment products and fuel growth by raising third-party capital.

Further, management seeks to provide attractive returns on Power's seed capital. The company earns profits by acting as the asset manager. These profits are expected to significantly increase as the businesses achieve sufficient scale. Power is also leveraging synergies across the group by helping to supply a portion of the needs that Power's wholly-owned subsidiary companies have for these types of investments.

Substantial progress in raising third-party capital

Sagard Holdings currently has teams managing private equity, private credit, private wealth, fintech venture capital, and healthcare royalty strategies. Power Sustainable's teams are managing renewable energy infrastructure and Chinese public equity strategies. Both have made substantial progress in raising third-party capital.

For example, a few months ago, Sagard Holdings announced the first closing of a $650 million private credit fund. In January of this year, Power Sustainable announced the formation of an energy infrastructure fund with $1 billion in commitments, including substantial third-party commitments. In 2020, Power's publicly traded operating companies were very active in terms of deploying capital.

Attractive standalone businesses

In addition, Power also owns a number of attractive standalone businesses as part of the previous strategy of diversification. It appears that Power's stated intention is to surface and realize value from these businesses over time while honouring its commitments to the company's partners in these businesses, including members of the management and other investors.

In November of fiscal 2020, **Lion Electric**, an innovative manufacturer of zero-emission vehicles in which Power holds a 44.1 percent equity interest, announced that it intends to combine with **Northern Genesis Acquisition** and upon closing is expected to be listed on the North American stock exchanges.

At a post-money equity valuation for Lion Electric of $1.9 billion, the company's investment had a fair value of $812 million, resulting in an increase in the company's net asset value of $737 million.

Fast-growing digital investing services

As part of Power group's fintech strategy, the company has also been supporting the growth of Wealthsimple, one of Canada's leading financial technology companies, and operating one of the country's largest and fastest-growing digital investing services.

In October of last year, Wealthsimple announced that it had raised $114 million from a group of third-party investors. The purchase price valued the equity at $1.4 billion, pre-money, valuing the Power group's holdings of Wealthsimple at $934 million, an increase of $619 million on total investments of $315 million. This translates into an internal rate of return of 44 percent before fees, expenses, and carried interest.

Further, Power is committed to following disciplined cost management practices. As part of the reorganization, the company announced its intention to reduce expenses at the holding company by $50 million annually within two years.

Power also appears committed to providing enhanced communication to financial market participants and other stakeholders.

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