



Why Power Corporation of Canada (TSX:POW) Stock Soared 43% in 2021

Description

Power Corporation of Canada ([TSX:POW](#)) delivered big gains for investors in 2021, and more upside could be on the way in 2022 and beyond.

Power Corporation's structure

Power Corporation is a Canadian holding company with investments primarily focused on insurance and wealth management. The company took Power Financial private in 2020. The subsidiary owns 66.7% of **Great-West Lifeco** ([TSX:GWO](#)), 61.8% of **IGM Financial** ([TSX:IGM](#)), and 14.1% of Group Bruxelles Lambert, a Europe-based holding company that owns positions in a number of Europe's top global firms.

In addition, Power Corp has fintech investments and alternative asset holdings. These include Wealthsimple, Personal Capital, and **Lion Electric**, among others.

Great-West Lifeco saw its shares increase 25% in 2021 and IGM Financial's share price rose 32%. This helped drive part of the gains in Power Corp. The extra boost likely came from the fact that the market started to realize the value of the sum of the parts is much higher than the value given to Power Corp stock.

Wealthsimple and Lion Electric have the potential to be significant players in their respective industries, as the fintech and electric vehicle [sectors](#) continue to grow.

Power Corp's earnings

Power Corp reported strong Q3 2021 results, and the Q4 numbers should be decent as well. Net earnings were \$1.09 per share compared to \$0.75 per share in the same period in 2021. Net asset value per share rose to \$52.80. This number represents management's estimate of the fair value of the shareholder equity in the company.

At the time of writing, the stock trades for \$41.65 per share, which is just 9.7 time trailing 12-month earnings.

Power Corp also announced in the Q3 report that it planned to resume share buybacks under its existing share-repurchase program, which allows the company to repurchase up to 30 million shares or roughly 5.3% of the outstanding float from February 25, 2021, to February 24, 2022.

Power Corp's dividend

Power Corp announced a 10.6% increase in the dividend on November 15. The new distribution of \$0.495 per share provides as 4.75% yield at the current share price.

The bottom line on Power Corp stock

Power Corp's holdings are performing well, and the stock still appears [undervalued](#) based on the company's net asset value calculations. Investors could see another aggressive share-buyback program announced in early 2022 and the dividend yield is above that of the big Canadian banks.

If you are searching for a top financial stock and like the exposure to the fintech and EV sectors, Power Corp might be worth considering for a self-directed TFSA or RRSP portfolio in 2022.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:GWO (Great-West Lifeco Inc.)
2. TSX:IGM (IGM Financial Inc.)
3. TSX:POW (Power Corporation of Canada)

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