



## This Little-Known Stock Pays a Hefty Dividend

### Description

Canada's financial sector is fertile ground for lucrative dividends. In fact, all of the nation's banking giants raised their dividends by double digits last year. This year could be similarly profitable.

However, these blue-chip giants are so well known that their stocks are rarely underpriced. Most banks trade at 10 to 15 times earnings and offer 2-3% in dividend yields. If you're looking for something more attractive, you'll need to look below the radar of most investors.

That's where **Power Corporation of Canada** ([TSX:POW](#)) seems to be. This underrated financial giant has doubled in value over the past two years. Last year it delivered another 21% gain to reach an all-time high. This impressive performance was supported by a string of stellar financial results at the back of diversified holdings in various sectors.

However, the stock has started edging lower in recent weeks after being in consolidation mode for the past six months. The pullback coincides with the broader market selloff, as a correction from all-time highs gathers steam. Here's a closer look at why this could be an attractive investment opportunity in 2022.

### Diversified business model

While Power Corp's stock is down by 6% year to date, it still looks like an exciting play for any investor eyeing exposure in the insurance and wealth management sectors. Through its subsidiary Power Financial, it owns a 66.7% stake in **Great-West Lifeco** and a 14.1% stake in **Group of Bruxelles Lambert**. In addition, it boasts holdings in Wealthsimple, Personal Capital, and Lion Electric, among others.

### High dividend yield

In addition to share price gains, Power Corporation of Canada has proved to be an ideal play for generating passive income. The company delivers an impressive [5% dividend yield](#). That's higher than

most major banks. In fact, the company has more room to expand. The dividend-payout ratio is just 43%, which means it could double the payout without much strain on its finances.

## Valuation

The fact that few investors are watching Power Corp has created an opportunity. The stock trades at just nine times earnings per share. It has also confirmed plans to resume share buybacks, as it seeks to repurchase up to 30 million shares. That's a clear indication that management believes the stock is undervalued.

The diversified nature of the holdings was the catalyst behind solid Q3 2021 results, whereby net earnings improved to \$1.09 a share against \$0.75 a share delivered the same quarter last year. Net asset value in the quarter jumped 2% to \$52.81. Power Corporation of Canada is expected to post better-than-expected Q4 2021 results.

Power Corp's reliable dividend, steady growth rate, and exposure to different segments of the global financial services sector make it a top pick. Keep an eye on this opportunity.

## Bottom line

Canada's financial sector is the perfect place to look for undervalued dividend stocks. Power Corp should be on top of your watch list in 2022.

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