



Time to Buy Power Corp. Stock?

Description

Power Corp. ([TSX:POW](#)) stock is down to its lowest price in more than a year. The dip has investors who missed the big rally off the 2020 crash wondering if the shares are now undervalued and if this is a good time to buy.

Power Corp. overview

Power Corp. is a Canadian holding company with investments that primarily focus on insurance and wealth management in Canada and the United States. The firm also has investments overseas, including a position in a European company, GBL, that has positions in a number of Europe's top global firms. Investments in Asia round out the global portfolio. In addition, Power Corp. has venture capital initiatives with the alternative investment arm of the business targeting opportunities in a number of sectors including healthcare and electric vehicles.

Among the largest holdings, Power Corp. owns a 66.6% interest in **Great-West Lifeco** ([TSX:GWO](#)), a 61.1% interest in **IGM Financial** ([TSX:IGM](#)), and a 54.7% interest in fintech player WealtheSimple. Great-West Lifeco is home to Canada Life in Canada, Empower Retirement in the United States, and Irish Life in Ireland. IGM Financial is home to Canadian wealth managers IG Wealth Management and Mackenzie.

Power Corp. Q1 2022 earnings

Power Corp. generated lower profits in the first three months of 2022 compared to the same period last year. Adjusted net earnings came in at \$515 million, or \$0.76 per share, compared to \$786 million, or \$1.16 per share, in Q1 2021.

The company says its adjusted net value per share was \$49.92 at the end of March 2022 compared to \$52.60 at the end of December 2021.

At first glance, the numbers look bad, but when you dig down to see the cause of the earnings dip it

looks like the overall business remains in solid shape. Alternative asset investments delivered the bulk of the earnings hit in the quarter on a year-over-year basis. That group posted an adjusted net loss of \$86 million in the quarter compared to adjusted net earnings of \$255 million in Q1 2021. The European business also posted weaker results with GBL generating a net loss of \$29 million for Power Corp. compared to a \$50 million gain in the first three months of 2021.

The large holdings performed well. Great-West Lifeco delivered adjusted net earnings increased 9% in the quarter. IGM Financial had record Q1 net earnings that were up 8% over the first three months of last year.

Dividends and share buybacks

Power Corp. raised its dividend by 10.6% late last year. the current quarterly payout of \$0.495 per share provides a yield of close to 6% at the time of writing. Power Corp. also has a share-buyback program in place that enables the company to repurchase up to 30 million shares or about 5.3% of the outstanding common stock.

Should you buy Power Corp. now?

The share price is down to \$33.25 at the time of writing compared to the 12-month high around \$44.50. Based on the company's adjusted net value per share of about \$50, the stock appears oversold. Additional volatility could be on the way in the near term, but buy-and-hold investors focused on total returns might want to add Power Corp. to their portfolios at this level. You get paid well to wait for the rebound, and the upside potential is compelling.

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Date

2025/09/24

Date Created

2022/05/12

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