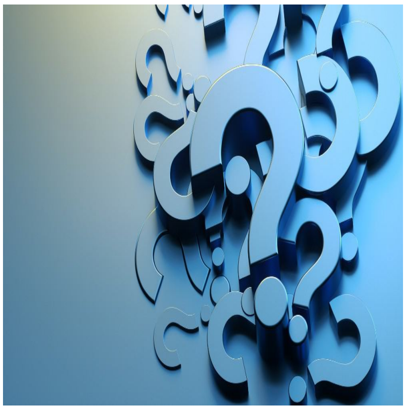

Down 40%, Is CI Financial a Huge Deal or Massive Risk?

Description

CI Financial (TSX:CIX)(NYSE:CIXX) has had a heck of a year, thanks mainly to the current market situation. Shares continue to trade down around 40% year to date after surging to all-time highs back at the end of 2021.

Today, CI stock trades at just 6.39 times earnings and boasts a dividend yield of 4.97% from this fall. But with shares down by so much, should investors take the risk and hope for rewards?

Company performance or just the market?

During the most recent earnings report for CI stock, the company stated that its overall assets under management dropped by 10% from April of this year. The decline came from the asset management division mainly. But it wasn't just bad news for the asset manager.

In fact, shares jumped by 8% in August during the day earnings were released after CI stock reported stronger quarterly profits. It was the largest jump in almost a year and a half, with shares climbing 10% before falling back slightly this week.

CI stock reported net income of $158 million — an increase of 35% year over year. And it all comes down to what Chief Executive Officer Kurt MacAlpine believes is the company's revamped strategy.

Entering wealth management

CI stock has been expanding into the United States at an astounding rate since 2020, along with expanding into wealth management in Canada and the United States. The diversification of the company's business allowed it to increase its "contributions to revenues and earnings," MacAlpine said during the earnings report.

Furthermore, CI stock is set to launch an initial public offering for its U.S. wealth business. This business now accounts for over half of the company, with assets climbing to $143 billion in the second quarter. This was almost double what it was the year before.

What about right now?

This is great information for the future, but what about where CI stock stands right now? The company trades within value territory, as I've mentioned. But what I'm not a fan of is that it currently does not have enough equity to cover its total debt. Its total debt to equity sits at 224%, meaning it would need over *double* its equity to cover its total debt.

Still, if you're looking for a dividend stock you can at the very least pick up shares of CI stock for some cash flow. Right now, it offers a dividend at 4.97%. And, granted, during this market downturn shares are low, but that could change in the near future during a recovery.

Bottom line

There are a lot of good things coming down the line for CI stock, but right now, it remains in a precarious position. I'm not sure it would be my first choice of asset managers. Even at such cheap prices. If you're looking for a dividend, I'd say there are other options. When it comes down to it, every business needs to have enough on hand to pay off debt in a pinch. And CI stock simply does not offer that today.

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