Is Now the Time to Buy Home Capital Group?

Description

Home Capital Group (TSX: HCG), one of the largest financial institutions in Canada, announced fourth-quarter earnings before the market opened on February 12, and its stock responded by rising over 1% in the trading session that followed. The company's stock still sits over 21% below its 52-week high of $55.94 reached back in August 2014, so let's take a closer look at the results to determine if we should consider initiating long-term positions today, or look elsewhere for an investment instead.

The quarterly results are in

Here's a breakdown of Home Capital Group's fourth-quarter earnings results compared to its results in the same period a year ago.

Metric	Reported	Year Ago
Earnings Per Share	$1.04	$0.98
Revenue	$253.66 million	$247.52 million

Source: Home Capital Group

Home Capital Group's earnings per share increased 6.1% and its revenue increased 2.5% compared to the fourth quarter of fiscal 2013. The company's strong earnings per share growth can be attributed to adjusted net income increasing 7.3% to $73.2 million and its slight increase in revenue can be attributed to net interest income increasing 4.9% to $116.42 million.

Here's a summary of 10 other notable statistics and updates from the report compared to the year-ago period:

1. Total assets under administration increased 10.4% to $24.28 billion.
2. Total loans under administration increased 13.1% to $22.56 billion.
3. Total deposits increased 9.2% to $13.94 billion.
4. Total shareholders' equity increased 23% to $1.45 billion.
5. Net interest margin improved 5 basis points to 2.27%.
6. Adjusted return on shareholders' equity contracted 290 basis points to 20.8%.
7. Return on average assets improved 50 basis points to 1.9%.
8. Adjusted efficiency ratio contracted 20 basis points to 27.9%.
9. Book value per share increased 21.9% to $20.67.
10. Market capitalization increased 19.6% to $3.36 billion.

Home Capital Group announced a 10% increase to its quarterly dividend to $0.22 per share, and the next payment will come on March 1 to shareholders of record at the close of business on February 23. Impressively, this marked the 21st time the company has increased its dividend in the last 10 years.

Should you buy shares of Home Capital Group today?

Home Capital Group is one of the largest holding companies in Canada, and increased demand for its products and services led it to a very strong fourth-quarter performance, and its stock reacted accordingly by rising over 1%.

I think Home Capital Group's stock represents a solid long-term investment opportunity today, even after the slight post-earnings pop, because it still trades at inexpensive valuations, including just 10.8 times its earnings per share of $4.09 in fiscal 2014, just 9.5 times fiscal 2015's estimated earnings per share of $4.63, and only 2.1 times its book value per share of $20.67.

Furthermore, the company now pays an annual dividend of $0.88 per share, giving its stock a generous 2% yield at current levels, and it has shown a strong dedication to raising its dividend, as it has increased it 21 times in the last 10 years. I think this makes the stock both a value and dividend growth play.

With all of the information provided above in mind, I think Home Capital Group represents a great long-term investment opportunity, so Foolish investors should take a closer look and consider beginning to scale into positions today.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HCG (Home Capital Group)

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Date
2025/08/26
Date Created
2015/02/13
Author
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