



How Have Canada's Alternative Lenders Performed?

Description

Over the past few months, there has been a lot of bad press regarding Canada's alternative mortgage market. Leading the pack has been **Home Capital Group Inc.** ([TSX:HCG](#)), which is under investigation for extending mortgages to applicants who used fraudulent documentation.

The bad news for long-term investors is, the decline of shares has not been contained to just one company. Shares of Home Capital Group have declined close to 70% on a year-to-date basis as the lender cut the quarterly dividend to zero. While many investors still believe in the long-term value of the company, the current share price, which is close to \$9, may still be a large discount to the company's tangible book value. As of the most recent quarterly report (March 31), the tangible book value is reported by the company to be close to \$26.

For investors who held shares of **First National Financial Corp.** ([TSX:FN](#)), shares have declined only 5% during the 2017 calendar year. Currently trading near the \$25.50 mark, the tangible book value of the company is approximately \$8.85 per share, while the dividend is much more generous. Offering investors a yield close to 7.25%, shares are trading at a very reasonable 7.8 times trailing earnings.

Last up is **Equitable Group Inc.** ([TSX:EQB](#)), which currently trades near \$51 per share. Since the beginning of the year, shares of the company are down close to 15%, while the dividend has remained intact. Investors purchasing shares at current levels will receive a yield of close to 1.75%, while the tangible book value per share is a significantly more attractive part of the investment thesis. Currently, the company's tangible book value per share is nothing short of \$62 per share as of March 31 this year. Assuming no major issues, investors may be getting a lot more than what they are paying for.

For investors looking at a suitable investment, there are a few key opportunities in this market. The first is for the high-risk/high-reward type of investor; shares of Home Capital Group may be the right fit. As the company is under a significant amount of scrutiny, the share price is currently trading at a significant discount to tangible book value, which offers investors the potential for very large increases in value. The source of the returns to investors would only be in the form of capital gains, as the company has cut the dividend to zero.

For less aggressive investors, shares of Equitable Group may be the way to go. Still trading at a discount to tangible book value by approximately 17%, investors will get a mix of capital appreciation and dividends given the company's quarterly dividend of \$0.23 per share.

Lastly, income investors may want to consider shares of First National Financial. Currently offering a dividend yield of close to 7.25%, income investors may want to take a good look at this name and decide if the investment is a good fit for them.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:EQB (EQB)
2. TSX:FN (First National Financial Corporation)
3. TSX:HCG (Home Capital Group)

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