

Comparing 2 of Canada's Biggest Alternative Lenders

Description

After a lot of news in the alternative financing space, we can finally breathe normally and take a step back from the plate for at least a short time.

With the "moving and shaking" behind us, shareholders seeking undervalued securities have the opportunity to purchase shares in either **Home Capital Group Inc.** ([TSX:HCG](#)) or **Equitable Group Inc.** ([TSX:EQB](#)) at a discount to tangible book value. For investors who are not afraid of a housing collapse, there could be a considerable amount of profit to be made from these investments.

In the past year, shares of Home Capital Group took a roller-coaster ride to almost \$5 per share before rebounding to more than \$20. Currently trading at a price near the \$13 mark, investors still need to see things settle before extending any more confidence to the company. Although the funding issues have been resolved, and Warren Buffett has now backed the company, the sentiment has not completely turned around.

Earlier this week, the company announced that the Ontario courts would be approving a class-action settlement in a lawsuit brought against the company several months ago. Although lawsuits are not positive events, investors will eventually realize that the new CEO and board of directors are serious about turning the corner and making the company profitable once again.

After cutting the dividend at one of the company's worst moments, the returns for investors willing to take the risk will come exclusively in the form of capital appreciation. With tangible book value of \$21.63 per share as of June 30, the company's share price of \$13 leaves room for a considerable amount of capital appreciation (even after the court settlement). Although the past quarter saw losses, it is worth noting that rewards will always come with risks.

Given the pending approval of one of the last hurdles against the company, it is only a matter of time before business as usual becomes the norm for management and shareholders alike. The dividend and share-repurchase plan will hopefully be reintroduced shortly.

As it sometimes happens, "the baby was thrown out with the bathwater," and shares of competitor Equitable Group declined in tandem. As shares reached a 52-week high of close to \$75, the current price of approximately \$53 represents excellent value. Equitable Group currently offers investors a dividend yield close to 1.75%, and the tangible book value is more than \$64 per share. Barring a major housing pullback, the value of both these companies will have to increase substantially to reach their run-off value.

When considering which company to purchase, it is worth noting that the correlation between these two securities is very high. In fact, as the events of Home Capital Group played out, shares of the competing Equitable Group declined alongside it, as the company could have potentially faced similar funding challenges, yet no major bad news was ever released about the company.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EQB (EQB)
2. TSX:HCG (Home Capital Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/18

Date Created

2017/08/24

Author

ryangoldsman

default watermark

default watermark