



## What the Recent Home Capital Group Inc. Vote Means for Shareholders

### Description

With the **Home Capital Group Inc.** ([TSX:HCG](#)) shareholder vote now complete, investors have begun to turn their attention to where the Canadian alternative lender is headed in the medium to long term. With Warren Buffett's **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B) bid to take on an additional 20% of the embattled alternative lender officially thwarted, it appears that investors have stated loud and clear their belief that Home Capital can stand on its own two feet. In that regard, it appears sentiment may finally be on Home Capital's side, driving many investors to take a look at whether or not a return to greatness is in order for the company.

### No more equity needed

The feeling among the vast majority of shareholders (nearly 89% of shareholders, in fact) who voted last week on whether or not to sell an additional 20% of the company's equity (just under 19% after dilution) to Berkshire Hathaway was that Home Capital was no longer in dire straits and did not need emergency funding to survive at this point in time. The alternative lender has slashed its guaranteed investment certificate (GIC) rates amid improving investor sentiment, announcing to the market that the short-lived run on the bank's deposits were just that — short-lived.

One of the key tools used by Home Capital's board to achieve widespread calm with respect to its underlying mortgage book was shaking up the company's management team. After several long-standing members of the company's executive team departed, including founder and former CEO Gerald Soloway, a number of new additions to the alternative lender's management team has calmed many investors. After all, it would be a career killer for many of these executives to jump on to a burning ship, raising the question of whether or not the problems were really as dramatic as many short-sellers made them out to be.

The most recent addition to the Home Capital executive team is a new CFO. Home Capital announced last week that it would be bringing on senior Cannacord executive Brad Kotush to fill the vacant role left during the company's settlement with the Ontario Securities Commission (OSC) and the prior reorganization of the company's CFO role.

## Bottom line

Home Capital has done well to shift market sentiment away from the most recent OSC settlement. With concerns about Canada's housing bubble also cooling, it appears that Home Capital may now be in a position to benefit from tailwinds as opposed to gale-forced headwinds that have knocked the lender's share price down to below its intrinsic book value.

For long-term investors banking on stable long-term growth in the alternative lending space, Home Capital appears to be very attractively valued; for cautious investors banking on some sort of major housing correction or potential crash in the mid to long term, I would suggest looking at other sectors.

Stay Foolish, my friends.

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2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. TSX:HCG (Home Capital Group)

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## Date

2025/08/23

## Date Created

2017/09/29

## Author

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