



4 Months Since the Buffett Investment: How Has Home Capital Group Inc. Done?

Description

It's been more than four months since Warren Buffett gave **Home Capital Group Inc.** ([TSX:HCG](#)) a lifeline with an investment and a line of credit. However, besides an initial bump in price, we haven't really seen much of an impact on the company's share price.

Let's take a look at what Home Capital has been up to since then and if it's a good buy today.

Share price has dropped 25%

Although Home Capital's stock got a boost from the Buffett-related investment, the hype from that quickly waned, and [the share price went on a steep decline](#). It now trades for less than it did before the news.

Project Expo a success, but savings may be negated

In October, Home Capital announced that it had "substantially" completed its initiative to bring down costs, which would result in the company saving \$15 million annually. The project focused on efficiency and streamlining its operations. The changes impacted 65 full-time positions and saw the company shed 10% of its head count since Q2.

Despite the savings, the company acknowledged in its release that "it still faces elevated expense levels related to the liquidity event that occurred earlier this year."

Sale of payment services will help reduce expenses

Last month, Home Capital also announced that it was selling its prepaid card business along with its payment-processing division. As it considers both to be part of its non-core operations, the company believes that these changes will help to streamline its business further and save \$20 million in costs, although it will also result in less income.

Company attempts to distance itself from troubled past

In August, Home Capital saw its class-action lawsuit settled for \$29.5 million, which related to the company and three former executives not disclosing issues relating to fraudulent activity in a timely manner.

Home Capital also appointed a new CFO recently and has made multiple changes in its senior management, as it hopes to try and rebuild its troubled image.

Home Capital improves liquidity and declines further assistance

The lending company had an improvement in its liquidity and was able to pay back the \$2 billion line of credit from Warren Buffett. The company felt confident enough in its operations to [reject an additional investment](#) from the billionaire investor's company.

How far the company has come since that initial injection in cash will be evident in the company's Q3 earnings, which are expected to be released mid-November.

Lack of negative press might be the best news for Home Capital

After being surrounded by bad press almost on a daily basis, Home Capital has largely been absent from the spotlight, and that might be key for the company's stock price to recover. If investors and borrowers focus on where the company is today rather than the issues relating to its past, there is more hope that the stock will be able to recover.

Should you buy Home Capital today?

The stock has been stabilizing in the past month with the share price rising a little less than 3% but not showing any distinct trend in either direction. The stock still trades at about two-thirds its book value and could be a great buy for investors that are not afraid of taking on some risk.

It certainly looks like the worst is behind Home Capital, and it could have tremendous upside if it is able to string together some positive results.

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