



After Reporting Earnings, Shares of Home Capital Group Inc. Are Finally Leading the Market!

Description

Less than a week ago, **Home Capital Group Inc.** ([TSX:HCG](#)) reported quarterly earnings which surprised almost no one, yet shares seesawed on the news. Fast forward to yesterday, when shares rose to an intra-day high just shy of \$17 per share, up by almost 8% for the day!

Investors are finally [seeing the value](#) of Home Capital Group.

For those who've missed the news, Home Capital Group reported a profit of \$0.37 for the quarter, which was a decline from a profit of \$1.01 in the same quarter one year ago, as the alternative mortgage lender was finally successful in restarting its lending activities after a run on deposits and a series of costly emergency loans to the company. After the negative press and the numerous investigations were finally dealt with, the result for investors was, in many cases, a capital loss (for shareholders) and potentially large gains (for short sellers).

After the past four to six months of seeing the stock price move almost nowhere, the beta of Home Capital Group going into earnings less than one week ago was no higher than 0.5, which may have led many to believe that the stock was in the low-risk/low-reward category. Clearly, this is not the case, as the stock continues to carry a huge amount of upside for investors. Although a [consensus was not immediately reached by all investors](#), the message that the company has returned to profitability is starting to sink in.

What is the catalyst?

At a price of almost \$17 per share, those seeking the opportunity to make a profit through capital appreciation may have the best option available to them with shares of the alternative mortgage lender. Although shares saw a low of \$5.06 earlier this year, the company has proven to shareholders that it will remain profitable on an ongoing basis. As both liquidity and solvency are of concern for many, there should be no expectation that the company will restore any meaningful dividend in the near future. Instead, shareholders will see capital returned to them in the form of share buybacks, which, at the current share price, is a fantastic opportunity.

The tangible book value per share is no less than \$22.20. For buyers of the stock, that translates to \$5.20 of free money on the purchase of every share. As the company has returned to making a profit and is increasing the tangible book value in each quarter, investors (and the company alike) should be lining up to purchase stock in this name.

After increasing by more than 7% in one day, shares of Home Capital Group continue to trade at a 25% discount to tangible book value. Furthermore, for investors who are evaluating this company on a price-to-earnings basis, the metric is very reasonable. If we assume that the company makes a quarterly profit of \$0.37 per share in each quarter, then shares are trading at less than 12 times forward earnings, and they are still expected to increase throughout the year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:HCG (Home Capital Group)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/24

Date Created

2017/11/21

Author

ryangoldsman

default watermark