# This Is 1 of the Best Dividend-Growth Stocks on the TSX

## Description

Canada's banking landscape is dominated by the Big Five. Not only do they dominate the retail and corporate banking landscapes, but they also dominate the investing landscape. It's no secret why. They form an oligopoly, which provides them with a significant competitive advantage. They have history of strong performance and are some of the most reliable dividend-paying companies in the country.



There are, however, some alternatives — cheaper alternatives. Case in point, **Equitable Group** ( TSX:EQB). Equitable, which recently re-branded itself as Equitable Bank, is the ninth-largest Schedule I bank in Canada. It has a branchless model and is well positioned to challenge the industry status quo.

## Canada's challenger bank

Equitable is mainly known as an alternative mortgage lender. However, it is so much more than that. It recently launched EQ Bank: a digital banking operation that offers an open-banking platform.

Thus far, it has proved wildly successful. In 2018, the company grew savings deposits by 34% to $2.8 billion. It now has 71,000 customers on the platform, an increase of 44% over last year. In 2018, it was selected as the Best Mobile Banking App in Canada by Word Finance Digital Banking.

The company is once again expecting strong growth in 2019 as it embarks on an aggressive marketing strategy.

## Strong performance

Equitable has been one of the best-performing financials on the TSX. Over the past year, its stock price gained 21% and it is up 14% year to date. Why has it done so well? It's due to record performance.

In 2018, the company grew earnings per share by 8% to a record $10.10 on the back of 20% asset growth. The company also closed on the Bennington Financial acquisition in late January. Bringing this equipment finance company into its fold is a positive move. It expands Equitable's product offerings and is expected to be accretive to EPS, return on equity, and margins.

The company is also becoming one of the best dividend-growth companies in the country. It has raised dividends in six of the past eight quarters. It is a Canadian Dividend Aristocrat, having raised dividends by double digits for nine consecutive years. The best part? Expect this aggressive trend to continue, as its payout ratio is only 12%.

## Top value stock

On top of its impressive growth profile, Equitable is trading at cheap valuations. It is trading at a current price-to-earnings (P/E) ratio of 7.03, a forward P/E of 5.48, and a P/E-to-growth ratio of 0.24. No matter what metric you use to value the company, it is cheap.

The company is being weighed down by the risks associated with a slowing housing market. Yet, Equitable has bucked the trend and has continued to grow. As it expands its business lines, the mortgage portfolio will account for a smaller percentage of earnings.



## Foolish Takeaway

Equitable is positioning itself as a viable alternative to Canada's Big Five banks. It has done nothing but execute its strategy, and there is no reason to doubt its future potential. At today's valuations, it is also one of the cheapest financial companies on the TSX.

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