The Top Dividend Growth Stock on the TSX Index

Description

Wondering which stocks are best-performing financial stocks on the **TSX** Canada's Big Banks? Certainly not Canada's Big Banks!

You might be surprised to learn that alternative mortgage lenders **Home Capital Group** (TSX:HCG) and **Equitable Group** (TSX:EQB) are the top-performing financial stocks of the year.

Year to date, Home Capital Group is up 65%, while Equitable Group is not far behind with gains of 56% in 2019. For value investors, the news is hardly surprising.

Ever since Home Capital's mortgage scandal, the entire industry has been struggling. Trading at a significant discount to historical valuations, their stocks were ridiculously cheap.

Through no fault of its own, Equitable Group was punished as a result of Home Capital's misdeeds. Astute investors recognized this as an opportunity.

The alternative lender has done nothing but perform and has positioned itself as Canada's Challenger Bank. In fact, the company has re-branded itself "Equitable Bank."

On Tuesday, the company released record quarterly results. Yesterday, the stock jump 15% to reach new all-time highs of $94.00 per share. The best part? There's plenty of room to run.

Record quarterly results

Second quarter adjusted earnings of $3.18 per share beat estimates by $0.41 per share — a massive beat and a quarterly record.

Shareholders return on equity improved by 250 basis points, and its loan portfolios increased by the double digits. Its retail loan segment increased by 23%, while its Commercial loan segment jumped by 19%.

EQ Bank also performed quite well as deposits grew to $14.5 billion, up 18% from the second quarter of 2018. As of end of the quarter, it had approximately 81,000 customers signed up using its digital banking platform.

Equitable Group has flown under the radar, and after this week's results, it appears the market is finally starting to take notice.

A top dividend company

Along with earnings, the company announced yet another dividend increase. Why is this a big deal?

As an Canadian Dividend Aristocrat, the lender has a nine-year dividend growth streak. Since its dividend growth streak began, it's averaged dividend growth in the low-to-mid teens.

This isn't what stands out, however. Rather, it's the pace of dividend growth that is particularly impressive. Tuesday's dividend announcement is the fourth straight quarter in which it has raised dividends.

There is no other Dividend Aristocrat that has raised dividends as frequently as Equitable Group. If that weren't enough, the company announced its intentions to raise dividends by an average of 20-25% annually over the next five years.

This is up from its previous target of 10% annual growth. Once again, no Aristocrat has a targeted dividend growth rate as high and for as long as Equitable Group.

Given the company's strong performance and its expected dividend growth rate, it is arguably [the best dividend growth stock] in the country. While I recognize that this is a bold statement, no Aristocrat can match recent and expected dividend performance. At the very least, it's in contention for the title.

Despite its recent run-up, the company is still cheap. Trading at seven times forward earnings and at a PE to growth (PEG) of only 0.32, it's a rare triple threat.

It is the perfect stock for investors seeking growth, income and value.

CATEGORY

1. Bank 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. Bank Stocks
2. Investing

Date
2025/08/17
Date Created
2019/08/01
Author
mlitalien