



Why This Stock Could Be a Better Buy Than Royal Bank (TSX:RY)

Description

For investors seeking good, stable earnings, a stock like **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is an excellent option to [buy and hold](#) for decades. The downside, however, is that the stock really won't offer you significant growth.

It's not an investment that you'd expect to see double in value, not without making a significant acquisition or radically changing its business, anyway.

And for many investors, that's just fine. After all, RBC is more suited for risk-averse investors or dividend investors that are simply looking for a good, reliable payout to collect over the years.

However, if you're looking for something with a bit more upside than RBC stock without having to venture out into a riskier industry, the good news is there is an option for you: **Home Capital Group Inc** ([TSX:HCG](#)).

Home Capital has been in recovery mode for about a couple of years now, as it is still not at the price it was before a [scandal](#) rocked not only its share price, but also the TSX as a whole.

Recovering from such a scandal, especially when it involves misleading investors, is no easy task, but to Home Capital's credit, it's found a way to win back the trust of investors as it's been making some steady progress along the way.

Heading into the week, the stock was trading at around \$25 a share, a massive improvement from the \$13 witnessed two years ago.

Why has Home Capital stock rebounded?

A big part of the reason that Home Capital has been able to recover is because it has been able to stay out of the press while posting strong results.

For a while, the company had a tough time staying out of the headlines for all the wrong reasons,

which ensured that the scandal was never too far away from the minds of investors.

Even though management may have changed, the stigma of such a scandal proved difficult to shake. That's where time can be the best healer for a stock, as long as the company can produce good results, which is exactly what Home Capital has been able to do.

In its most recent quarterly report, the company recorded revenues of \$111 million. That's the first time that revenues have reached over \$110 million since before the scandal hit.

Net income has been positive for eight straight quarters while revenues have been north of \$100 million for seven straight periods.

Home Capital has been a model of consistency lately, and it no longer looks like the risky stock that it was just a few years ago.

Bottom line

Home Capital is still trading right around its book value despite the stock rising significantly over the past year. That's why it's still a good buy today, as there's a lot more room for Home Capital stock to rise than there is for an established bank stock like RBC.

While RBC could be a great option for those investors that are just looking to buy and forget, Home Capital certainly has more upside, at least, for now.

CATEGORY

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