A TSX Stock to Buy if You Are Bullish on Canada's Housing Market

Description

The Canadian housing market has been on an absolute tear in the last 12 years. Due to a low-interest-rate environment, Canadian residents have access to cheap credit that has resulted in robust demand for mortgages and rising residential real estate prices.

There are several industry experts who believe that Canada's housing market is in a bubble waiting to burst, especially if interest rates move higher. But it's likely that the Bank of Canada will maintain lower rates given the uncertainties surrounding global economies. So, if you expect Canada's housing market to remain strong in 2021 and beyond, it makes sense to bet on TSX stocks such as **Equitable Group** (TSX:EQB).

Equitable Group is a financial services company

Equitable Group provides several financial services to retail and commercial customers in Canada via its subsidiary Equitable Bank. It accepts term deposits, high-interest savings accounts, Tax-Free Savings Accounts, guaranteed investment certificates, institutional deposit notes, and other specialized financing solutions.

The company's loan products include residential mortgages that include fixed and variable rate solutions. It also provides equipment loans, home equity, cash surrender value, and commercial equity lines of credit, among other solutions.

EQB has been one of the top-performing companies on the TSX in the past decade. It has returned 668% in total returns since September 2011. Comparatively, major indices such as the **Dow Jones**, **TSX**, and **S&P 500** have returned 293%, 138%, and 365%, respectively, in the last 10 years.

In the second quarter of 2021, Equitable Group stock grew its net earnings by 35% year over year to $70.8 million. Its adjusted earnings per share rose by 33% to $4.05 per share for the quarter ended in June.

Its common equity tier 1, or CET1 ratio, stood at 14.4%, which is higher than its mid-point target of

13.5%, resulting in excess capital of $6 per share. Equitable Group has now served close to 300,000 Canadians, and its digital customers surged by 79% year over year to 222,000 by the end of Q2. Comparatively, its deposits almost doubled to more than $6.5 billion in the quarter.

Equitable Group's digital transactions were up 101% while average products per customer grew 44% in Q2. The loans under management rose by 9% year over year to $35.4 billion.

What's next for EQ stock?

Despite its stellar returns, EQ stock is trading at an attractive valuation. Its market cap is $2.55 billion, and analysts expect revenue to rise by 17.8% year over year to $585.73 million in 2021 and by 12.2% to $656 million in 2022. Comparatively, its earnings are forecast to rise at an annual rate of 19.5% in the next five years.

We can see that EQ stock is valued at a forward price-to-2022-sales multiple of 3.9 and a price-to-earnings multiple of just 8.8. It also provides investors with a forward dividend yield of 1%, making it attractive to value and income investors.

Analysts covering EQ stock have a 12-month average price target of $172, which is 13% higher than its current trading price of $150.

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