



EQB Inc: Should You Buy the Stock?

Description

EQB ([TSX:EQB](#)) is a Canadian bank that is perhaps best known for its high-yielding Guaranteed Investment Certificates (GICs). Its GICs have been yielding 5% for many months now. This was, for a time, the highest yield available among Canadian GICs, though, lately, some larger banks have been offering high yielders as well.

In the past, I covered EQB from the perspective of a GIC investor. I own one of EQB's GICs, and I once touted it as a solid fixed-income option. But, being a bank stock investor, a thought occurred to me: *"What about EQB stock?"*

Canadian bank stocks, in many cases, have yields comparable to those of high-yield GICs, *plus* growth potential. With a stock, you can watch a 4% yield turn into a 10% yield over time — that doesn't really happen in the world of GICs. I still think that EQB's GICs are a pretty good way to add some yield to your portfolio. However, EQB stock is worth exploring, too.

In this article, I will explore all the things you need to know about EQB in order to make an informed investment in its stock.

What is EQB?

EQB is a small, branchless [Canadian bank](#). It is part of a larger trend in branchless banking that spans across the world. It offers a number of products for investors and savers, including the following:

- GICs
- Savings accounts
- Mortgages
- Lines of credit
- And more

EQB's business is generally less diversified than that of Canada's Big Six banks. For example, its website does not mention a wealth management segment, nor an investment bank — both are

standard for larger banks. What EQB does have is a smaller size. With a \$2.23 billion market cap, EQB is a mere fraction of the size of Canada's major financial institutions. That gives it some room to grow. It also has a somewhat cheaper valuation than the typical Canadian bank, trading at just 6.3 times earnings.

So, at a glance, EQB seems to have a lot of things going for it. The question is, how is it actually doing as a business?

How is EQB doing as a business?

In its most recent quarter, EQB [delivered record results](#) on many key metrics:

- Adjusted earnings: \$82 million, up 13%
- Adjusted earnings per share: \$2.35, up 14%
- Return on equity (a profitability metric): 15.6%
- Loans: up 29%

Overall, it was a solid quarter for EQB. Banks in general did well last quarter, but EQB did better than most. Its long-term growth has been pretty good, too. Over the last five years, it has grown at the following compounded annual rates:

- Earnings: 15.4%
- Earnings per share: 13.5%
- Total assets: 16%

It's been a pretty good run for EQB over the years. For now, at least, the run looks set to continue. The current year's macro conditions — high interest rates, moderate GDP growth — favour banks, because they lead to strong lending and higher interest being collected on loans. Some people think that a recession will come later this year, but the latest reports show that jobs are still being added and spending is still on the rise. I'd say that EQB stock is a decent bet for the year ahead.

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