



Should You Go Long National Bank of Canada Today?

Description

National Bank of Canada ([TSX: NA](#)), Canada's seventh largest bank in terms of total assets, released fourth-quarter earnings on December 5 and its stock has since fallen about 4%. The stock now sits more than 11% below its 52-week high, so let's take a closer look at the quarterly results to determine if we should use this weakness as a long-term buying opportunity.

Breaking down the quarter

Here's a summary of National Bank's fourth-quarter earnings results compared to what analysts had expected and its results in the year-ago period.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	\$1.14	\$1.14	\$1.00
Revenue	\$1.38 billion	\$1.41 billion	\$1.26 billion

Source: *Financial Times*

National Bank's earnings per share increased 14% and its revenue increased 9.8% compared to the fourth-quarter of fiscal 2013. The company's strong earnings per share growth can be attributed to net income jumping 15.3% to \$407 million, as it achieved growth in all three of its major segments, including 29% growth in its Wealth Management segment, 21% growth in its Financial Markets segment, and 7.2% growth in its Personal and Commercial Banking segment.

National Bank also achieved revenue growth in all three of its major segments, including 16.8% growth in its Wealth Management segment, 14.8% growth in its Financial Markets segment, and 4.9% growth in its Personal and Commercial Banking segment.

Here's a breakdown of eight other highly important statistics and updates from the quarterly report:

1. Total assets increased 9.1% to \$205.43 billion compared to \$188.22 billion in the year-ago period.
2. Total deposits increased 17.4% to \$119.88 billion compared to \$102.11 billion in the year-ago

period.

3. Total loans and acceptances increased 9.1% to \$106.17 billion compared to \$97.34 billion in the year-ago period.
4. Net interest margin of 2.21% in the Personal and Commercial Banking segment compared to 2.24% in the year-ago period.
5. Efficiency ratio of 58.4% compared to 60.7% in the year-ago period.
6. Return on equity of 17.9% compared to 17.6% in the year-ago period.
7. Paid out a quarterly dividend of \$0.48 per share, an increase of 9.1% from the \$0.44 paid in the year-ago period.
8. Book value per share increased 12.1% to \$25.76 compared to \$22.97 in the year-ago period.

Does National Bank represent a long-term opportunity?

National Bank of Canada is the country's seventh largest bank, and increased demand for its wealth management services led it to a very strong performance in the fourth quarter. Unfortunately, the banking industry is expected to face several headwinds over the next few quarters, such as lower interest rates, higher regulatory expenses, and slowed growth of the global economy, and this negative outlook has more than offset the positive sentiment surrounding the company's strong quarterly results, causing its stock to fall more than 4% in the days since the release.

All in all, I think National Bank represents a great long-term investment opportunity today, because its stock trades at inexpensive valuations, including just 10.4 times fiscal 2015's earnings estimates, a mere 9.7 times fiscal 2016's earnings estimates, and only 1.9 times its book value per share. Also, the stock has the added benefit of a bountiful 4.1% dividend yield, which will provide protection to the downside. With all of this information in mind, I think long-term investors should consider National Bank of Canada one of the top investment opportunities in the banking industry today.

CATEGORY

1. Bank Stocks
2. Investing

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1. TSX:NA (National Bank of Canada)

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