



Dividend Investors: 3 Reasons to Buy the Bank of Nova Scotia

Description

The best gifts often come in small packages — but the same applies to dividend investing.

Case in point: **The Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)). Over the past decade, the stock's yield has averaged just 3.9%. That's not bad, but it's hardly enough to impress the most discerning income investors.

Yet the company's dividend and share price have both grown steadily, producing an impressive 90% total profit over the past 10 years. That works out to a 7% return on an annualized basis, which handily topped the **S&P/TSX Composite Index**.

Of course, these numbers are backwards looking, but there's reason to believe this stock will continue to crank out solid returns. Here's why:

1. It's a dividend powerhouse

You don't have to buy me diamonds and pearls. The only way to my heart is dividends. And the Bank of Nova Scotia has shown a true commitment to shareholders.

Since 1832, the company has mailed a dividend cheque to investors every single year — the second longest streak of consecutive distributions in Canada. And over just the past decade, the firm has increased its payout more than 35%.

Given the company's strong balance sheet, diverse business lines, and more than \$7 billion in annual profits, this dividend is one of the safest around. Investors can likely expect a steady stream of income over the next 100 years.

2. It's highly diversified

Speaking of diverse businesses...

What pops into your head when you think about the Bank of Nova Scotia? For most people, the first

picture that comes to mind is their local branch.

But the company has sprawling operations outside of retail lending, including wealth management and investment banking. The best part about this is that if one sector slows down, another business can pick up the slack.

The financial institution is also the most international of its peers, with operations across Asia and Latin America. A growing middle class in these markets will need more loans, more mortgages, and more credit cards.

That should translate into more dividend hikes for shareholders.

3. It's cheap

The recent drop in oil prices has clobbered stocks and even the banking industry is feeling the pain. Since May 1, shares of the Bank of Nova Scotia have plunged nearly 15%.

Is it time to break up with this stock? Hardly. If you believe in buying good companies when their shares are on sale, this firm might be worth a look.

Today, the stock trades at about eight times estimated 2015 earnings, well below its historical average and peer group. And given that the bank has the least exposure to the turbulent Canadian economy, that discount seems overdone.

Don't dismiss the Bank of Nova Scotia because of its meager yield. This is a great company whose dividend will almost certainly grow for many years to come. And after the recent sell-off, there has never been a better time to add this stock to your portfolio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

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Date

2025/09/30

Date Created

2015/02/19

Author

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