



## Potash Corp./Saskatchewan Inc. vs. Bank of Nova Scotia: Which Is Best for Dividend Investors?

### Description

Shares of **Potash Corp./Saskatchewan Inc.** (TSX:POT)(NYSE:POT) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) have been under pressure recently and new investors are wondering if this is a good time to buy the stocks.

Let's take a look at both companies to see if one is a better choice for dividend investors.

#### Potash Corp.

Potash Corp. is wrapping up a multi-year expansion at its facilities just as global demand for potash is hitting record levels. According to the company's Q4 2014 report, world-wide sales of potash hit a record 61 million tonnes in 2014, and the company expects 2015 demand to be between 58-60 million tonnes.

Increased sales volumes, lower costs, and moderately higher realized prices led to strong results for Q4 2014. Earnings for the quarter came in at US\$0.49 per share, significantly higher than the US\$0.26 per share reported in Q4 2013. Full-year 2014 earnings were US\$1.82 per share.

Potash expects 2015 earnings to be from US\$1.90 to US\$2.20 per share. Based on the positive outlook, the company increased the dividend by nearly 9%.

Potash Corp. is also expanding its global distribution opportunities. The company just signed a deal to buy 9.5% of Brazil-based Fertilizares Heringer, a leading fertilizer distribution company.

The US\$55.7 million deal will help Potash become Heringer's principal potash supplier. Brazil is an important market for global potash producers, and Potash says the deal will be a key step in its strategy to expand its New Brunswick-based operations.

Potash pays a dividend of US\$1.52 per share that yields about 4.3%. The dividend has increased more than 400% in the past four years.

## Bank of Nova Scotia

Canada's third-largest bank just released Q1 2015 earnings that missed analyst expectations, but the company still increased its dividend by 3%.

The Bank of Nova Scotia was the ugly duckling of the banking sector in 2014. Disappointing results in all areas of the operation led to a serious clean out of senior management, as well as a \$451 million restructuring charge.

The company cut 1,500 jobs and is overhauling its Latin American operations. Concerns about an overheated housing market and the fallout from the oil rout have put pressure on all the banks, and pundits are split as to the extent of the potential damage to bank earnings in the next couple of years.

Bank of Nova Scotia pays a dividend of \$2.72 per share that yields about 4%. The company has increased the dividend eight times in the last five years.

### Which should you buy?

Both Potash Corp. and Bank of Nova Scotia are strong long-term holdings. Potash should see a surge in free cash flow available to shareholders, as its current expansion project moves from development to production. Having said that, the wholesale fertilizer market can be volatile, and there are rumblings of a global market-share battle among the big players. If the chest thumping gets out of control, prices and margins might come in below expectations.

Bank of Nova Scotia is trading at a very attractive valuation right now and the stock has outperformed its peers in the first part of 2015. The Canadian market is still a concern, but Bank of Nova Scotia is less exposed than some of the other banks.

At this point, I would lean toward Bank of Nova Scotia, but both companies certainly deserve a spot in any dividend portfolio.

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1. Bank Stocks
2. Dividend Stocks
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1. Editor's Choice

### TICKERS GLOBAL

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

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