



Does the Recent Weakness in Bank of Nova Scotia Represent a Buying Opportunity?

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)), the third largest bank in Canada in terms of total assets, announced first-quarter earnings on the morning of March 3, and its stock has responded by falling over 2.5% in the trading sessions since. The company's stock now sits more than 13% below its 52-week high, so let's take a closer look at the results to determine if we should consider initiating long-term positions today.

Breaking down the first-quarter results

Here's a summary of Bank of Nova Scotia's first-quarter earnings compared to its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Earnings Per Share	\$1.36	\$1.34
Revenue	\$5.96 billion	\$5.73 billion

Source: *Bank of Nova Scotia*

Bank of Nova Scotia's adjusted earnings per share increased 1.5% and its total revenue increased 4% compared to the first quarter of fiscal 2014. The company's slight increase in earnings per share can be attributed to its net income increasing 1% to \$1.73 billion, which was helped by its total operating expenses increasing just 3% to \$3.2 billion.

Its strong revenue growth can be attributed to revenues increasing in all three of its major segments, led by 3.3% growth to \$2.73 billion in its Canadian Banking segment and 4.5% growth to \$2.08 billion in its International Banking segment.

Here's a breakdown of 10 other notable statistics from the report compared to the year-ago period:

1. Total assets increased 8.8% to \$851.9 billion

2. Total customer loans and acceptances increased 6% to \$451.8 billion
3. Total deposits increased 8.3% to \$584.6 billion
4. Total common shareholders' equity increased 10.6% to \$46.9 billion
5. Total assets under management increased 13.4% to \$173.8 billion
6. Net interest income increased 5.5% to \$3.17 billion
7. Non-interest income increased 2.4% to \$2.78 billion
8. Adjusted return on equity contracted 120 basis points to 14.4%
9. Core banking margin expanded six basis points to 2.41%
10. Book value per share increased 11.1% to \$38.75

Bank of Nova Scotia also announced a 3% increase to its quarterly dividend to \$0.68 per share, and the next payment will come on April 28 to shareholders of record at the close of business on April 7. This marked the fifth consecutive year in which the company has increased its dividend, showing that it is dedicated to maximizing shareholder value.

Is now the time to buy Bank of Nova Scotia?

I think the post-earnings weakness in Bank of Nova Scotia's stock represents a great long-term buying opportunity, because it trades at very inexpensive valuations and pays a high dividend.

First, Bank of Nova Scotia's stock trades at just 11.4 times fiscal 2015's estimated earnings per share of \$5.72 and only 10.7 times fiscal 2016's estimated earnings per share of \$6.11, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 12.3. Also, it trades at a mere 1.7 times its book value per share of \$38.75, which is inexpensive compared to its market-to-book value of 1.9 at the conclusion of the fourth quarter.

Second, Bank of Nova Scotia now pays an annual dividend of \$2.72 per share, which gives its stock a bountiful 4.2% yield at current levels, and I think this makes it qualify as both a value and dividend play today.

With all of the information above in mind, I think Bank of Nova Scotia represents one of the best long-term investment opportunities in the market today. Foolish investors should take a closer look and strongly consider establishing positions.

CATEGORY

1. Bank Stocks
2. Investing

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1. Editor's Choice

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

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