



Is Now the Prime Time to Buy Bank of Nova Scotia?

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)), the third-largest bank in Canada in terms of total assets, has watched its stock widely underperform in the overall market in 2015, falling over 2.5% as the TSX Composite Index has gained over 5%, but it could be one of the top performing stocks from this point forward. Let's take a look at three of the primary reasons why this could happen and why you should consider establishing a long-term position today.

1. A growing asset base driving earnings and revenues higher

Bank of Nova Scotia released solid first-quarter earnings results on March 3, but its stock has responded by falling over 2% in the weeks since. Here's a summary of 12 of the most important statistics from the report compared to the same quarter a year ago:

1. Net income increased 1% to \$1.73 billion
2. Earnings per share increased 1.5% to \$1.36
3. Revenues increased 4% to \$5.96 billion
4. Net interest income increased 5.5% to \$3.17 billion
5. Non-interest income increased 2.4% to \$2.78 billion
6. Core banking margin expanded six basis points to 2.41%
7. Total assets increased 8.8% to \$851.9 billion
8. Total deposits increased 8.3% to \$584.6 billion
9. Total customer loans and acceptances increased 6% to \$451.8 billion
10. Total assets under management increased 13.4% to \$173.8 billion
11. Total common shareholders' equity increased 10.6% to \$46.9 billion
12. Book value per share increased 11.1% to \$38.75

2. The stock trades at inexpensive current and forward valuations

At today's levels, Bank of Nova Scotia's stock trades at just 10.9 times fiscal 2015's estimated earnings per share of \$5.89 and only 10.7 times fiscal 2016's estimated earnings per share of \$6.04, both of which are inexpensive compared to its five-year price-to-earnings multiple of 12.3.

In addition, the company's stock trades at a mere 1.66 times its book value per share of \$38.75, which is very inexpensive compared to its market-to-book value of 1.90 at the conclusion of fiscal 2014.

I think Bank of Nova Scotia's stock could consistently command a fair multiple of at least 12, which would place its shares upwards of \$70.50 by the conclusion of fiscal 2015 and around \$72.50 by the conclusion of fiscal 2016, representing upside of approximately 6.5% and 12.6%, respectively, from current levels.

3. A 4.2% dividend yield

Bank of Nova Scotia pays a quarterly dividend of \$0.68 per share, or \$2.72 per share annually, which gives its stock a bountiful 4.2% yield at current levels. The company has also raised its annual dividend for five consecutive years, showing that it is strongly dedicated to maximizing shareholder returns, and I think this streak could continue for the next several years.

Should you invest in Bank of Nova Scotia today?

Bank of Nova Scotia represents a great long-term investment opportunity today because it has a growing asset base that has continued to drive its earnings and revenues higher, because its stock trades at inexpensive valuations, and because it has a very high 4.2% dividend yield. Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions today.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

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

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