



## 3 Reasons Why Bank of Nova Scotia Is a Forever Stock

### Description

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), the third largest bank in Canada in terms of total assets, has slightly underperformed the overall market in 2015, falling about 0.5% as the TSX Composite Index has risen about 1.5%, but I think it could widely outperform from this point forward. Let's take a look at three of the primary factors that could drive its shares higher and why you should be a long-term buyer today.

### Its strong Q2 earnings results could support a continued rally

Bank of Nova Scotia released better-than-expected first-quarter earnings results on the morning of May 29, and its stock has responded by rising over 2% in the weeks since. Here's a summary of 10 of the most important statistics from the report compared to the year-ago period:

1. Net income remained unchanged at \$1.8 billion
2. Adjusted diluted earnings per share increased 2.1% to \$1.43, surpassing analysts' expectations of \$1.39
3. Revenue increased 3.7% to \$5.94 billion, surpassing analysts' expectations of \$5.90 billion
4. Net interest income increased 4.8% to \$3.2 billion
5. Non-interest income increased 3.5% to \$2.85 billion
6. Total assets increased 5.7% to \$837.16 billion
7. Total deposits increased 4.3% to \$575.28 billion
8. Total loans increased 4.1% to \$435.96 billion
9. Total assets under management increased 11.3% to \$176.8 billion
10. Book value per share increased 9.3% to \$38.61

### The stock trades at inexpensive forward valuations

At current levels, Bank of Nova Scotia's stock trades at just 11.6 times fiscal 2015's estimated earnings per share of \$5.71 and only 10.8 times fiscal 2016's estimated earnings per share of \$6.11, both of which are inexpensive compared to its five-year price-to-earnings multiple of 12.4 and the industry average multiple of 12.9.

I think Bank of Nova Scotia's stock could consistently trade at a fair multiple of at least 12.5, which would place its shares upwards of \$71.25 by the conclusion of fiscal 2015 and upwards of \$76.25 by the conclusion of fiscal 2016, representing upside of more than 7.5% and 15.5%, respectively, from today's levels.

### **A high dividend yield with a track record of increases**

Bank of Nova Scotia pays a quarterly dividend of \$0.68 per share, or \$2.72 per share annually, which gives its stock a 4.1% yield at current levels. It has also increased its annual dividend payment for five consecutive years, showing its dedication to maximizing shareholder returns, and its consistent free cash flow generation could allow this streak to continue for another five years at least.

### **Does Bank of Nova Scotia belong in your portfolio?**

I think Bank of Nova Scotia is well positioned to outperform the overall market going forward, because its strong second-quarter earnings results could support a continued rally, because its stock trades at inexpensive forward valuations, and because it has increased its dividend for five consecutive years with a current yield of approximately 4.1%. Foolish investors should take a closer look and strongly consider initiating positions today.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

### **POST TAG**

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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