



Bank of Nova Scotia or Bank of Montreal: Which Is the Better Buy Today?

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) are the third and fourth largest banks in Canada, and both of their stocks represent very attractive long-term investment opportunities today. Let's take a closer look at the companies' second-quarter earnings results, their stocks' valuations, and their dividend yields to determine which stock is the better buy today.

Bank of Nova Scotia: Canada's Third Largest Bank

Bank of Nova Scotia's stock has fallen just over 0.5% year-to-date, including an increase of about 2% since it announced its second-quarter earnings results on the morning of May 29. Here's a summary of 10 of the most notable 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

At today's levels, Bank of Nova Scotia's stock trades at 11.5 times fiscal 2015's estimated earnings per share of \$5.71 and 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 13.4. It also trades at a mere 1.70 times its book value per share of \$38.61, which is very inexpensive compared to its market-to-book value of 1.89 a year ago.

In addition, Bank of Nova Scotia pays a quarterly dividend of \$0.68 per share, or \$2.72 per share annually, giving its stock a 4.1% yield at current levels. The company has also increased its annual dividend payment for five consecutive years, and its consistent free cash flow generation could allow this streak to continue in 2016.

Bank of Montreal: Canada's Fourth Largest Bank

Bank of Montreal's stock has fallen over 9.5% year-to-date, including a decline of over 4.5% since it announced its second-quarter earnings results on the morning of May 27. Here's a summary of 10 of the most notable statistics from the report compared to the year-ago period:

1. Adjusted net income increased 4.5% to \$1.15 billion
2. Adjusted earnings per share increased 4.9% to \$1.71
3. Revenue, net of insurance claims, commissions, and changes in policy benefit liabilities, increased 11.4% to \$4.50 billion
4. Non-interest income increased 4.7% to \$2.41 billion
5. Net interest income increased 2.4% to \$2.11 billion
6. Total assets increased 8.8% to \$633.28 billion
7. Total deposits increased 7.7% to \$424.23 billion
8. Total net loans and acceptances increased 7.2% to \$315.86 billion
9. Total assets under management increased 81.8% to \$387.67 billion
10. Book value per share increased 12.4% to \$51.65

At current levels, Bank of Montreal's stock trades at 11 times fiscal 2015's estimated earnings per share of \$6.73 and 10.4 times fiscal 2016's estimated earnings per share of \$7.10, both of which are inexpensive compared to its five-year price-to-earnings multiple of 11.6 and the industry average multiple of 13.4. It also trades at a mere 1.44 times its book value per share of \$51.65, which is very inexpensive compared to its market-to-book value of 1.70 a year ago.

Additionally, Bank of Montreal pays a quarterly dividend of \$0.82 per share, or \$3.28 per share annually, giving its stock a 4.4% yield at today's levels. The company has also increased its dividend for four consecutive years, and its increased amount of free cash flow could allow for another increase in the second half of this year.

Which bank is the better buy today?

After comparing the companies' second-quarter earnings results, their stocks' valuations, and their dividend yields, I think Bank of Montreal represents the better long-term investment opportunity today. It posted stronger second-quarter earnings results, its stock trades at more attractive forward valuations, and it has a higher dividend yield, making it the clear winner of this matchup. Long-term investors should take a closer look at Bank of Montreal and strongly consider beginning to scale in to positions today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BMO (Bank Of Montreal)
4. TSX:BNS (Bank Of Nova Scotia)

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Author

jsolitro

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