



Should You Buy National Bank of Canada Around Earnings Report Time?

Description

The sixth-largest bank in Canada, **National Bank of Canada** ([TSX:NA](#)), will report its third-quarter earnings results on August 26 following the **Bank of Montreal** earnings results on the previous day.

Priced under \$45 and yielding close to 4.7%, National Bank of Canada has close to \$14.7 billion in market capitalization. It is about 18% off its 52-week high and about 2% above its 52-week low. Should investors buy its shares around earnings report time? First, let's take a look at National Bank of Canada's business.

The business

National Bank of Canada is the leading bank in Quebec. It provides financial services to retail, commercial, corporate, and institutional clients. It offers a complete range of services, including banking and investment solutions, securities brokerage, and insurance and wealth management. As of the end of the second quarter its total assets were over \$207 billion.

Most of National Bank of Canada's revenue and income comes from personal and commercial banking, wealth management, and financial markets. Specifically, 46% of its revenue comes from personal and commercial banking, 25% comes from wealth management, and 26% comes from financial markets.

Income-wise, 39% comes from personal and commercial banking, 20% comes from wealth management, and 40% comes from financial markets.

Last quarter the bank targeted 5-10% earnings-per-share growth for the medium term.

Valuation

I believe National Bank of Canada shares are fairly priced today. Historically, it normally traded between a price-to-earnings ratio of 10-10.5, and today's shares are just under a multiple of 10.

Dividend

At under \$45 per share, National Bank of Canada yields 4.7%. Its payout ratio of 42% falls within its dividend payout ratio target of 40-50%. So, it should be able to continue increasing its dividend on a half-year schedule. The next hike is anticipated to be in December.

It last raised its quarterly dividend in June at an annualized rate of 8.3%. So, if you bought 100 shares, or an investment under \$4,500 today, you'd receive \$52 every three months.

In conclusion

I'm not encouraging the timing of the market, but around earnings report time the market can get especially emotional about a company. National Bank of Canada could go up or down 3% in one day.

Because National Bank of Canada shares are priced fairly today compared with historical multiples, Foolish investors could act cautiously by buying half a position now and finishing off the position after the earnings report.

That is, if you plan to buy \$5,000 worth of shares, you could buy \$2,500 today, and buy more after the earnings report.

Pro earnings report, if the price goes up it means the company is doing better than expected. If not, then you might be able to spend another \$2,500 and buy more shares at a lower price.

Alternatively, Foolish investors could wait until the earnings release to see the most recent forecasts by the bank before making a decision.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/08/27

Date Created

2015/08/18

Author

kayng

default watermark