



Bank of Nova Scotia Is Ripe for Buying

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) will be the last of the Big Five banks to report its third-quarter earnings on August 28.

Priced under \$60 per share and yielding close to 4.6%, the bank has a market capitalization of \$72.4 billion. It is 19% off its 52-week high, and it just hit a new 52-week low on August 19. Should investors buy its shares?

First, let's take a look at Bank of Nova Scotia's business.

The business

Bank of Nova Scotia is Canada's most international bank and a leading financial services provider in North America, Latin America, the Caribbean and Central America, and parts of Asia. The bank's 87,000 employee serve 21 million customers around the world.

As of the end of April the bank had total assets of \$837 billion. Bank of Nova Scotia's core businesses include Canadian banking, international banking, and global banking and markets.

Valuation

Historically, it normally trades at a price-to-earnings ratio (P/E) of at least 12, and today's shares are around 10.5. So, the P/E indicates the shares are discounted by at least 12% today.

Based on its trailing 12-month (TTM) price-to-book ratio, it is priced the cheapest it has been in a decade, and its TTM price-to-sales ratio also indicates a similar conclusion. There's no question that Bank of Nova Scotia is priced at a discount compared with historical trading levels.

Dividend

At under \$60 per share, Bank of Nova Scotia yields 4.6%. Its payout ratio of about 47% implies a solid dividend. So, it should be able to continue increasing its dividend on a half-year schedule. The next

hike is anticipated to be in October.

It last raised its quarterly dividend in April at an annualized rate of 6.3%. If you bought 100 shares, an investment of under \$6,000 today, you'd receive \$68 every three months. As mentioned before, though, you should get a hike in income for your first payment in October.

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. Bank of Nova Scotia could go up or down 4% in one day.

Because Bank of Nova Scotia shares are discounted today compared with historical multiples, long-term Foolish investors can start buying its shares now regardless of the earnings results.

However, if you're more prudent, you might wait to see how the other banks do in their earnings results before deciding to invest in Bank of Nova Scotia.

I have written an article on each of the Big Five banks in the past week, and Bank of Nova Scotia is the most discounted opportunity to get in on one of the most solid banks in the world for total returns, or for an above-average dividend.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

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