



## Should You Buy Laurentian Bank of Canada Around Earnings Report Time?

### Description

For the past few years, **Laurentian Bank of Canada** ([TSX:LB](#)) has essentially traded between \$43 and \$51. The bank is about to report its third-quarter earnings results on September 2. Priced at \$46 per share, its 52-week low, should investors buy its shares?

First, let's take a look at Laurentian Bank of Canada's business.

#### The business

Laurentian Bank offers diversified financial services across Canada. The bank also offers its products to a network of independent financial intermediaries through B2B Trust and brokerage solutions through Laurentian Bank Securities.

About 60% of Laurentian Bank's revenue comes from its personal and commercial business segment, 34% comes from the B2B Trust, and 6% comes from wholesale.

#### Valuation

In the past 10 years Laurentian Bank typically traded around a normal price-to-earnings ratio (P/E) of 10. Currently, it trades closer to a P/E of eight, indicating its shares are about 17% discounted.

Let's take a look at the bank's price-to-book ratio (P/B). In the past 10 years its P/B oscillated between 0.9 and 1.1. It was only at 0.9 in 2008 when the Financial Crisis hit. At a P/B of 1.0 today, that would indicate its shares are priced fairly.

The price-to-sales ratio (P/S) indicates a similar picture in that the bank is fairly priced today. However, it looks like the bank has low levels of cash flow because its price-to-cash-flow ratio (P/CFL) is at an all-time high.

#### Dividend

At \$46 per share, Laurentian Bank yields close to 4.9%. Historically, it seldom yields over 4.6%. So, its

current higher yield is an indicator that its shares are cheap.

Its payout ratio of 47% is sustainable. In fact, it has hiked dividends for seven years in a row, and it just increased it at an annual rate of 7.7% in June. So, if you bought 100 shares, an investment of about \$4,600 today, you'd receive \$56 every three months.

### **In conclusion**

Laurentian Bank is one of the steadiest Canadian banks in terms of price volatility. So, it would be easier for investors to hold on to it. Its juicy 4.8% yield also looks to be sustainable.

Even though I'm not encouraging the timing of the market, around earnings report time, the market can get especially emotional about a company, and Laurentian Bank could end up going up or down 3% in a day.

Because Laurentian Bank of Canada shares are priced at a discount of 17% to fairly valued 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 in the bank, 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:LB (Laurentian Bank of Canada)

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