



## Bank of Nova Scotia's Q3 Earnings Are Out: What Should You Do Now?

### Description

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), the third-largest bank in Canada in terms of total assets, announced third-quarter earnings results before the market opened on August 28, and its stock has responded by falling over 1%. Let's take a closer look at the results to determine if we should consider using this weakness as a long-term buying opportunity, or if we should wait for an even better entry point in the trading sessions ahead.

### Breaking down the mixed results

Here's a summary of Bank of Nova Scotia's third-quarter earnings compared with what analysts had expected and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	\$1.45	\$1.45	\$1.40
Revenue	\$6.12 billion	\$6.16 billion	\$6.49 billion

Source: *Financial Times*

Bank of Nova Scotia's adjusted diluted earnings per share increased 3.6% and its revenue decreased 5.6% compared with the third quarter of fiscal 2014. The company's slight earnings-per-share growth can be attributed to its adjusted net income increasing 2.8% to \$1.85 billion, led by 15% growth to \$863 million in its Canadian banking segment and 10.5% growth to \$537 million in its international banking segment.

Its slight decline in revenue can be attributed to its non-interest income decreasing 17% to \$2.77 billion, led lower by declines of 30% to \$1.23 billion in its Canadian banking segment and 18.4% to \$693 million in its global banking and markets segment, and this could only partially offset by its net interest income increasing 6.5% to \$3.35 billion.

Here's a quick breakdown of five other notable statistics from the report compared with the year-ago

period:

1. Total assets increased 9% to \$863.1 billion
2. Deposits increased 10.5% to \$602.8 billion
3. Customer loans and acceptances increased 7.7% to \$462.1 billion
4. Common shareholders' equity increased 10.2% to \$48.7 billion
5. Book value per share increased 10.9% to \$40.30

Bank of Nova Scotia also announced a 2.9% increase to its quarterly dividend to \$0.70 per share, and the next payment will come on October 6 to shareholders of record at the close of business on October 28.

### **What should you do with Bank of Nova Scotia today?**

The third quarter was far from impressive for Bank of Nova Scotia, so I think the post-earnings weakness in its stock was warranted. However, I think the decline also represents a great long-term buying opportunity. The stock now trades at more attractive valuations and has a high dividend yield with an extensive track record of increasing its payment, which will continue to make it a go-to stock for income investors.

First, Bank of Nova Scotia's stock trades at just 10.4 times fiscal 2015's estimated earnings per share of \$5.69 and only 9.7 times fiscal 2016's estimated earnings per share of \$6.08, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 12.4 and the industry average multiple of 12.8. It also trades at just 1.47 times its book value per share of \$40.30, which is a major discount compared with its market-to-book value of 2.04 at the conclusion of the year-ago period.

Second, Bank of Nova Scotia now pays an annual dividend of \$2.80 per share, which gives its stock a 4.7% yield at today's levels. The company has also increased its dividend for five consecutive years, and its financial stability and consistent free cash flow generation could allow this streak to continue for another five years at least.

With all of the information above in mind, I think Bank of Nova Scotia represents one of the best investment opportunities in the Canadian banking industry. Foolish investors should strongly consider beginning to scale in to long-term positions today.

### **CATEGORY**

1. Bank Stocks
2. Investing

### **TICKERS GLOBAL**

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

### **Category**

1. Bank Stocks
2. Investing

### **Date**

2025/10/01  
**Date Created**  
2015/08/31  
**Author**  
jsolitro

default watermark

default watermark