



3 Reasons to Buy Laurentian Bank of Canada Today

Description

Laurentian Bank of Canada ([TSX:LB](#)), one of the largest financial institutions in Canada, has held its own in 2015, falling less than 1% as the TSX Composite Index has fallen nearly 6%, and I think it could pare its losses and head significantly higher from this point forward. Let's take a look at three reasons why this could happen and why you should buy the stock today.

1. Its strong earnings results could support a continued rally

On September 2, Laurentian Bank released strong earnings results for its three and nine-month periods ending on July 31, 2015, and its stock has responded by rising about 3% in the trading sessions since. Here's a summary of eight of the most notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Adjusted net income increased 5.9% to \$128.07 million
2. Adjusted earnings per share increased 6.4% to \$4.17
3. Revenue increased 2% to \$665.48 million
4. Total assets increased 9% to \$39.56 billion
5. Total loans and acceptances increased 5.1% to \$28.66 billion
6. Total deposits increased 6.6% to \$25.8 billion
7. Book value per share increased 5.2% to \$47.45
8. Adjusted return on common shareholders' equity improved 20 basis points to 12%

2. Its stock trades at inexpensive forward valuations

At current levels, Laurentian Bank's stock trades at just 8.9 times fiscal 2015's estimated earnings per share of \$5.61 and only 8.5 times fiscal 2016's estimated earnings per share of \$5.87, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 10.2 and the industry average multiple of 12.

I think the company's stock could consistently trade at a fair multiple of at least 10, which would place its shares upwards of \$56 by the conclusion of fiscal 2015 and upwards of \$58 by the conclusion of fiscal 2016, representing upside of more than 12% and 16%, respectively, from today's levels.

3. It has a 4.5% dividend yield and an active streak of annual increases

Laurentian Bank pays a quarterly dividend of \$0.56 per share, or \$2.24 per share annually, which gives its stock a 4.5% yield at current levels. Investors should also note that the company has increased its dividend for eight consecutive years, making it one of the top dividend-growth plays in the industry, and its strong operational performance could allow this streak to continue for the next several years.

Should you add Laurentian Bank to your portfolio?

I think Laurentian Bank of Canada could be one of the market's top performing stocks going forward. Its strong earnings results in the first nine months of fiscal 2015 could support a continued rally, its stock trades at inexpensive forward valuations, and it is both a high-dividend and dividend-growth play, which will amplify the potential returns for investors going forward. All Foolish investors should strongly consider establishing positions today.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:LB (Laurentian Bank of Canada)

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