



3 Compelling Reasons to Buy Bank of Nova Scotia Today

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)), the third-largest bank in Canada in terms of total assets, has watched its stock fall more than 13% in 2015, but I think it is now well positioned to widely outperform the overall market in 2016 and beyond. Let's take a look at three of the primary reasons why I think the stock will head higher from here and why you should initiate a position today.

1. Its financial performance in fiscal 2015 could support a higher stock price

On December 1, Bank of Nova Scotia released solid earnings results for its fiscal year ended on October 31, 2015. Here's a summary of 10 of the most notable statistics from fiscal 2015 compared with fiscal 2014:

1. Adjusted net income increased 2.9% to \$7.21 billion
2. Adjusted earnings per share increased 4.4% to \$5.67
3. Total revenue on a taxable equivalent basis increased 2% to \$24.44 billion
4. Total assets increased 6.3% to \$856.5 billion
5. Deposits increased 8.5% to \$600.92 billion
6. Loans increased 8.1% to \$458.63 billion
7. Common shareholders' equity increased 9.2% to \$49.09 billion
8. Assets under administration increased 6.2% to \$453.93 billion
9. Assets under management increased 8.6% to \$179.01 billion
10. Book value per share increased 10.4% to \$40.80

2. It is a value play

At today's levels, Bank of Nova Scotia's stock trades at just 10.1 times fiscal 2015's adjusted earnings per share of \$5.67, only 9.6 times fiscal 2016's estimated earnings per share of \$5.97, and a mere nine times fiscal 2017's estimated earnings per share of \$6.39, all of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.9 and the industry average multiple of 12.6.

With the multiples above and its estimated 6.5% long-term earnings growth rate in mind, I think Bank of Nova Scotia's stock could consistently trade at a fair multiple of at least 11, which would place its

shares upwards of \$65 by the conclusion of fiscal 2016 and upwards of \$70 by the conclusion of fiscal 2017, representing upside of more than 13% and 22%, respectively, from current levels.

3. It has a high dividend and is a dividend-growth play

Bank of Nova Scotia pays a quarterly dividend of \$0.70 per share, or \$2.80 per share annually, which gives its stock a 4.9% yield, and this is more than double the industry average yield of 2.3%.

Investors should also make two very important notes. First, Bank of Nova Scotia has raised its annual dividend payment for five consecutive years, and its 2.9% increase on August 28 puts it on pace for 2016 to mark the sixth consecutive year with an increase. Second, the company has a target dividend-payout range of 40-50% of net income, so its consistent growth should allow it to continue to increase its returns to shareholders over the next several years.

Should Bank of Nova Scotia be your top buy for 2016?

I think Bank of Nova Scotia will widely outperform the overall market in both the short and long term, so all Foolish investors that do not already have exposure to the Canadian banking industry should strongly consider initiating positions in it today.

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

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