



## 3 Reasons to Buy Bank of Nova Scotia Right Now

### Description

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is Canada's third-largest bank, and I think its stock is a strong buy for three primary reasons. Let's take a closer look at these reasons to see if you agree and if you should be a long-term buyer today.

#### 1. Its strong earnings results could support a rally

Earnings play a major role in a stock's performance in the quarter in which they are released, and on May 31 Bank of Nova Scotia released very strong results for its three- and six-month periods ended on April 30, 2016. Here's a quick breakdown of 12 of the most notable statistics from the first half of fiscal 2016 compared with the first half of fiscal 2015:

1. Adjusted net income increased 4.3% to \$3.68 billion
2. Adjusted earnings per share increased 4.3% to \$2.89
3. Total revenue on a taxable equivalent basis increased 9.6% to \$13.16 billion
4. Net interest income increased 10.5% to \$7.04 billion
5. Non-interest income increased 8.6% to \$6.12 billion
6. Total assets increased 6.9% to \$894.96 billion
7. Deposits increased 5.9% to \$609.31 billion
8. Loans increased 7.1% to \$466.85 billion
9. Common shareholders' equity increased 4.8% to \$48.95 billion
10. Assets under administration increased 1.7% to \$453.47 billion
11. Assets under management increased 1.5% to \$179.41 billion
12. Book value per common share increased 5.4% to \$40.70

#### 2. Its stock trades at inexpensive forward valuations

Bank of Nova Scotia's strong earnings results could help kick-start a rally, and the fact that its stock is undervalued could help make a short-term rally progress into a long-term rally.

Its stock trades at just 11.1 times fiscal 2016's estimated earnings per share of \$5.85 and only 10.5 times fiscal 2017's estimated earnings per share of \$6.19, both of which are inexpensive compared

with its trailing 12-month price-to-earnings multiple of 11.7, its five-year average multiple of 11.5, and the industry average multiple of 13.5.

It also trades at a mere 1.6 times its book value per share of \$40.70, which is a major discount compared to its five-year average market-to-book value of 1.84.

### **3. It has one of the best dividends in the banking industry**

Dividends amplify shareholder returns, especially when they are reinvested, and Bank of Nova Scotia has a great one. It pays a quarterly dividend \$0.72 per share, or \$2.88 per share annually, which gives its stock a high and safe yield of about 4.4%.

Investors must also make two notes about its dividend.

First, the company's three dividend hikes since the start of 2015, including its 2.9% hike in March, have it on pace for 2016 to mark the sixth consecutive year in which it has raised its annual dividend payment.

Second, it has a target dividend-payout range of 40-50% of its net earnings, so I think its consistent growth, including its aforementioned 4.3% year-over-year increase to an adjusted \$2.89 per share in the first half of 2016, will allow its streak of annual dividend increases to continue for many years to come.

### **Should Bank of Nova Scotia be added to your portfolio?**

I think Bank of Nova Scotia is a strong buy, so if you agree, take a closer look and consider buying shares today.

### **CATEGORY**

1. Bank Stocks
2. Investing

### **TICKERS GLOBAL**

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

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