



Why Bank of Nova Scotia Is up Over 1% Today

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)), Canada's third-largest bank, announced better-than-expected third-quarter earnings results this morning, and its stock has responded by rising over 1%.

Let's break down the results and the fundamentals of its stock to determine if this could be the start of a sustained rally higher and if we should be long-term buyers of it today.

The results that easily beat expectations

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

Metric	Q3 2016 Actual	Q3 2016 Expected	Q3 2015 Actual
Total Revenue	\$6.64 billion	\$6.57 billion	\$6.12 billion
Earnings Per Diluted Share	\$1.54	\$1.48	\$1.45

Source: *Financial Times*

Bank of Nova Scotia's revenue increased 8.4% and its earnings per diluted share increased 6.2% compared with the third quarter of fiscal 2015.

Its very strong revenue growth can be attributed to growth in all three of its operating segments, including 6.4% year-over-year growth to \$3.04 billion in its Canadian Banking segment, 6.3% year-over-year growth to \$2.42 billion in its International Banking segment, and 19.3% year-over-year growth to \$1.15 billion in its Global Banking and Markets segment.

Its strong earnings-per-share growth can be attributed to its net income increasing 6.1% year over year to \$1.96 billion, once again driven by growth in all three of its operating segments, including 7.8% year-over-year growth to \$930 million in its Canadian Banking segment, 9.7% year-over-year growth to \$589 million in its International Banking segment, and 12.3% year-over-year growth to \$421 million in

its Global Banking and Markets segment.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Net interest income increased 7.4% to \$3.6 billion
2. Non-interest income increased 9.7% to \$3.04 billion
3. Total assets increased 5.1% to \$906.84 billion
4. Deposits increased 4.7% to \$631.34 billion
5. Loans increased 4.8% to \$472.8 billion
6. Common shareholders' equity increased 4.3% to \$50.76 billion
7. Assets under administration increased 1.1% to \$464.93 billion
8. Assets under management increased 2.7% to \$187.86 billion
9. Book value per common share increased 4.6% to \$42.14
10. Return on equity improved 10 basis points to 14.8%

Dividend hike? Yes, please!

Bank of Nova Scotia also announced a 2.8% increase to its quarterly dividend to \$0.74 per share, and the next payment will come on October 27 to shareholders of record at the close of business on October 4.

Could Bank of Nova Scotia's stock continue higher?

It was a fantastic quarter overall for Bank of Nova Scotia, so I think the market has responded correctly by sending its stock higher. I also think it will continue higher from here and that it represents a great long-term investment opportunity for two fundamental reasons.

First, it still trades at very attractive valuations. Bank of Nova Scotia's stock still trades at just 12 times fiscal 2016's estimated earnings per share of \$5.84 and a mere 11.3 times fiscal 2017's estimated earnings per share of \$6.20, both of which are very inexpensive given its estimated 7.1% long-term earnings-growth rate and the low-risk nature of its business model, since it is well capitalized and faces very limited competition.

Second, it has one of the best and safest dividends in the market. Bank of Nova Scotia now pays an annual dividend of \$2.96 per share, which gives its stock a very high yield of about 4.2% at today's levels, and this dividend is easily supported by its earnings. It has also raised its annual dividend payment for five consecutive years, and its four hikes since the start of 2015, including the one it announced today, have it on pace for 2016 to mark the sixth consecutive year with an increase, making it both a high-yield and dividend-growth play.

Overall, I think Bank of Nova Scotia is one of the market's best long-term investment opportunities. Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions today.

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

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