



Can National Bank of Canada Be a Top 3 Investment Bank?

Description

National Bank of Canada ([TSX:NA](#)) is the Canadian bank that many investors leave off their radar or completely ignore. It's all about the Big Five Canadian banks. As National Bank of Canada continues to grow in market cap, we may have to refer to Canada's banks as the Big Six from now on. The company is growing by leaps and bounds and has a very solid dividend that will be growing at a quick rate over the next decade.

The company recently set a goal of becoming a "Top Three" Canadian investment bank and plans to hit this goal before the conclusion of 2022. The head of corporate and investment banking Yanick Blanchard stated: "We think we can compete." This is quite an ambitious statement considering how strong the investment banking divisions are at these top-tier banks.

Blanchard then stated, "We have the critical mass now and the scale to go after the entire space." There's no question that Blanchard is extremely optimistic, but is it possible that Canada's sixth-largest lender could rise in the ranks in the investment banking division?

According to a Barclays Plc analyst, John Aiken, National Bank will need to lend cash at more favourable terms compared to its peers if it is going to succeed in the business. I do not believe the Big Five incumbents will go down without a fight, so it definitely will not be a walk in the park for National Bank of Canada.

National Bank of Canada has some strong momentum going into 2017. The company hired 10 investment bankers last year and plans to hire even more this year. The company is also ranked number one in managing Canadian government bond sales four times out of the last five years.

It will definitely be interesting to see if National Bank can catch up over the next five years. The Big Five banks are no slouches, and there will be a ridiculous amount of competition going forward. I believe National Bank has a high chance of being successful, but only time will tell if they can become a top three Canadian investment bank.

Should you buy shares and hang on to them for the next five years?

The company is truly firing on all cylinders, and the management team is confident they can eventually take on a majority Big Five incumbents in the investment banking scene. The stock currently yields a bountiful 3.9%, which is expected to grow steadily over the next few years. The stock currently trades at a two price-to-book multiple, which looks to offer a fair amount of value.

The company has a very solid investment banking division, and they will give the Big Five a run for their money over the next few years.

If you're a long-term investor looking for solid year-over-year revenue and earnings growth, then you may want to consider picking up shares of National Bank of Canada.

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Author

joefrenette

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