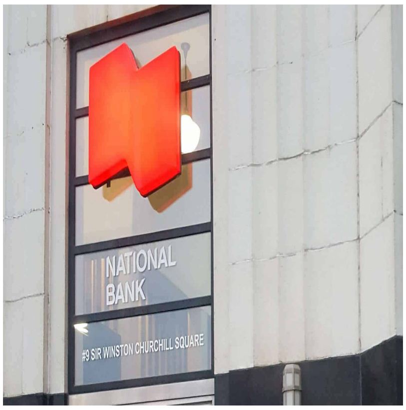

National Bank of Canada Is Underrated, But Is it Undervalued?

Description

National Bank of Canada (TSX:NA) is the sixth-largest Canadian bank and the largest in the province of Quebec. The company offers a wide range of financial services to its customers, but it gets most of its revenues from its personal and commercial banking segments, which account for approximately 48% and 36% of total revenues, respectively.

Many investors have left National Bank of Canada off their radars because they've mostly been enticed by the Big Five Canadian banks. National Bank of Canada is a very solid dividend-growth king, like its peers in the Big Five, and I think it may be one of the most underrated stocks out there today.

Should you pick up shares of National Bank of Canada? Or would you do better with a Big Five bank?

There's no question that the management team is ambitious about National Bank of Canada's growth potential. They believe they're well equipped to compete directly with the Big Five banks in the investment banking segment. The company has set the goal of becoming a top three Canadian investment bank by 2023. This will not be an easy task, as the Big Five incumbents are firing on all cylinders in this department.

According to John Aiken, an analyst at **Barclays**, National Bank of Canada will need to lend money at more attractive rates in order to compete. National Bank of Canada is looking to hire more investment bankers this year, so it will be interesting to see how the company's investment banking division fairs against the competition over the next few years. I'm not sure if it'll become a top three investment bank, but one thing is for certain: the company has its foot to the pedal, and the long-term results will be beneficial to shareholders.

Although National Bank of Canada has a huge presence in Quebec, the company is working on making its retail banking division more internationally diversified. The company currently has assets located in the U.S., the Ivory Coast, Mauritius, Cambodia, and Mongolia.

Some international diversification to spice up your portfolio is great for growth, especially if you're overexposed to the unstable Canadian market. There's not a huge amount of international diversification right now, but the management team is on the right track. Going forward, it's expected that strategic acquisitions of foreign assets may be in the cards as the company looks to further diversify into the fast-growing emerging markets.

The stock currently trades at a 14.1 price-to-earnings multiple, a 1.9 price-to-book multiple, and a 3.1 price-to-sales multiple, all of which are higher than the company's five-year historical average multiples of 10.3, 1.8, and 2.7, respectively, so the company isn't a steal like it was before the surge in bank stocks, but I still think the price is somewhat attractive given the company's growth potential.

The stock offers a bountiful 3.98% dividend yield which is certainly enticing. The company also has great growth prospects, but for now, I think one of the Big Five banks with a larger amount of U.S. exposure would be a better bet, as National Bank of Canada looks fully valued.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date
2025/07/05
Date Created
2017/04/07
Author
joefrenette