Income Investors: Is Laurentian Bank of Canada Worth Placing on Your Radar?

Description

If you're a retiree or an income investor who depends on the income from their stocks, then you can't go wrong with any one of the Big Five banks, a telecom, or a utility. But what about some of the lesser-known income stocks that nobody talks about? These hidden gems could offer investors a safe, growing dividend as well as nice long-term capital gains if you know where to find them.

If you're not from Quebec, then you've probably never heard of **Laurentian Bank of Canada** (TSX:LB). The bank provides services to individuals as well as small- and medium-sized businesses. It's well known for its specializations that cater to small businesses as well as real estate developers. The bank has over $41 billion worth of assets, and it's well positioned to become a dividend-growth king over the next few years.

The stock has flown under the radar of most investors, and I don't think it gets the credit it deserves.

The stock currently has a juicy 4.3% dividend yield, which has grown by a huge amount over the last decade. The stock rebounded very sharply after the Financial Crisis, but the stock essentially flat-lined under the $50 level of resistance for most of the seven years that followed. It wasn't until earlier last year that the stock broke out to test the $60 level. Could the stock be headed on a sustained rally higher? Or is it going to flat-line for another couple of years?

Laurentian Bank may test the mid-$50 levels again, and I don't think there's too much room for it to run from here. The stock currently trades at a 12.6 price-to-earnings multiple, a 1.2 price-to-book multiple, and a 1.9 price-to-sales multiple, all of which are lower than the company's five-year historical average multiples of 11.2, 1.1, and 1.5, respectively.

The stock isn't a steal by any means; it's actually slightly on the expensive side, so it shouldn't come as a surprise if it doesn't go anywhere over the next year, but this shouldn't stop you if you're a retiree looking for a stable source of income.

The company is a dividend-growth king, and you'll do very well over the long run, even if the stock market falls flat on its face. The stock is starting to give up a portion of the gains it enjoyed late last year, so I'd sit on the sidelines and wait for a better entry point when the dividend yield is closer to 5%. You'll enjoy a better margin of safety to go with a fat, growing dividend that will grow for many years.

Sure, you could stick with a Big Five bank, but I think it'd be worthwhile to add Laurentian Bank to your radar. It's a dividend-growth king like its big brothers, and if it gets substantially cheaper than them, you should probably load up.

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