Why Laurentian Bank of Canada Is up Over 1%

Description

Laurentian Bank of Canada (TSX:LB), one of the largest financial institutions in eastern Canada, announced its third-quarter earnings results this morning, and its stock has responded by rising over 1% in early trading. Let's break down the quarterly results and the fundamentals of its stock to determine if it could continue higher from here and if we should be long-term buyers today.

default watermark

A very strong quarter of top- and bottom-line growth

Here's a quick breakdown of 10 of the most notable financial statistics from Laurentian Bank's three-month period ended on July 31, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Net interest income	$157.71 million	$147.99 million	6.6%
Other income	$90.30 million	$81.09 million	11.4%
Total revenue	$248.00 million	$229.08 million	8.3%
Adjusted net income	$59.91 million	$46.07 million	30%
Adjusted diluted earnings per share (EPS)	$1.63	$1.37	19%
Balance sheet assets	$45,212 million	$40,298 million	12.2%
Loans and acceptances	$34,917 million	$32,043 million	9.0%
Deposits	$28,232 million	$26,903 million	4.9%
Book value per share	$50.54	$48.23	4.8%
Adjusted return on common shareholders' equity	13.0%	11.4%	160 basis points

Should you buy in to the rally?

It was a phenomenal quarter overall for Laurentian Bank, and it posted a fantastic performance in the first nine months of 2017, with its revenue up 7.3% to $728.44 million, its adjusted net income up 20.4% to $164.27 million, and its adjusted diluted EPS up 5.4% to $4.46. The results also crushed the consensus estimates of analysts, which called for adjusted diluted EPS of $1.49 on revenue of $246.78 million.

With all of this being said, I think the market has responded correctly by sending Laurentian Bank's stock higher, and I think it still represents a great long-term investment opportunity for two fundamental reasons.

First, it's still wildly undervalued. Laurentian Bank's stock still trades at just 9.3 times fiscal 2017's estimated EPS of $5.83 and only 8.7 times fiscal 2018's estimated EPS of $6.25, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 11.7. These multiples are also inexpensive given its current earnings-growth rate and its estimated 6.3% long-term earnings-growth rate.

Second, it has one of the banking industry's best dividends. Laurentian Bank pays a quarterly dividend of $0.62 per share, equal to $2.48 per share annually, which gives its stock a rich 4.55% yield. Investors must also note that its recent dividend hikes, including its 1.6% hike in May, have it positioned for 2017 to mark the 10th consecutive year in which it has raised its annual dividend payment, and it has a target dividend-payout range of 40-50% of its adjusted net income, so I think its consistently strong growth will allow this streak to continue for another decade at least.

default watermark

With all of the information provided above in mind, I think Foolish investors should consider initiating long-term positions in Laurentian Bank today with the intention of adding to those positions on any significant pullback in the future.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:LB (Laurentian Bank of Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/25
Date Created
2017/08/29
Author
jsolitro

default watermark

default watermark