



National Bank of Canada Reports Q4 Beat and Hikes Dividend: Time to Buy?

Description

National Bank of Canada ([TSX:NA](#)), Canada's sixth-largest bank as measured by assets, announced its fourth-quarter earnings results and a dividend increase Friday morning, and its stock responded by rising 0.22% in the day's trading session. Let's take a closer look at the earnings results, the dividend increase, and the fundamentals of its stock to determine if we should be long-term buyers today.

A very strong Q4 performance

Here's a quick breakdown of 12 of the most notable financial statistics from National Bank's three-month period ended October 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Net interest income excluding specific items	\$881 million	\$833 million	5.8%
Non-interest income excluding specific items	\$879 million	\$799 million	10.0%
Total revenues on a taxable equivalent basis and excluding specific items	\$1,760 million	\$1,632 million	7.8%
Net income excluding specific items	\$531 million	\$463 million	14.7%
Diluted earnings per share (EPS) excluding specific items	\$1.40	\$1.24	12.9%
Total assets	\$245,827 million	\$232,206 million	5.9%
Total deposits	\$156,671 million	\$142,066 million	10.3%
Total loans and acceptances	\$134,443 million	\$126,178 million	6.6%

Equity attributable to common shareholders	\$10,700 million	\$9,642 million	11.0%
Assets under management and administration	\$477,358 million	\$397,342 million	20.1%
Book value per share	\$31.51	\$28.52	10.5%
Return on common shareholders' equity excluding specific items	18.0%	17.4%	60 basis points

Rewarding its shareholders with a dividend hike

In the press release, National Bank announced a 3.4% increase to its quarterly dividend to \$0.60 per share, and the first payment at this increased rate will be made on February 1 to shareholders of record on December 27.

What should you do with National Bank's stock now?

It was a fantastic quarter overall for National Bank, and it finished off a very strong performance in fiscal 2017 for the company, in which its total revenues on a taxable equivalent basis increased 9.3% to \$6.86 billion and its adjusted EPS increased 25.3% to \$5.45 when compared with fiscal 2016. The bank's fourth-quarter earnings results also beat analysts' expectations, which called for adjusted EPS of \$1.38, so I think the market should have responded by sending its stock significantly higher on Friday.

With all of this being said, I think National Bank represents a great investment opportunity for long-term investors for two fundamental reasons.

First, it trades at very attractive valuations. National Bank's stock trades at just 11.7 times fiscal 2017's adjusted EPS of \$5.45 and only 11.1 times the consensus analyst estimate of \$5.72 for fiscal 2018, both of which are inexpensive given its current earnings-growth rate, its estimated 10.4% long-term earnings-growth rate, and the low-risk nature of its business model.

Second, it's [a dividend aristocrat](#). National Bank now pays an annual dividend of \$2.40 per share, which gives it a rich 3.8% yield. Investors must also note that 2017 marked the seventh consecutive year in which the bank had raised its annual dividend payment, and its recent hikes, including the one it announced today, have it on track for fiscal 2018 to mark the eighth consecutive year with an increase.

National Bank's stock has rallied about 15% since it released its third-quarter earnings results [on August 30](#), and I think it is still a strong buy today, so take a closer look and consider making it a long-term core holding.

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jsolitro

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