



## Laurentian Bank of Canada's Share Price Drops and Presents Opportunity

### Description

Over the past week, the conviction of investors in **Laurentian Bank of Canada** ([TSX:LB](#)) was tested, as the company reported that there were "issues," which involving mortgages totaling \$89 million. As could be expected on the heels of the **Home Capital Group Inc.** ([TSX:HCG](#)) situation, [shares declined significantly](#) for the day, moving from a price close to \$63 to a current price closer to \$55.50.

Although the company had a fantastic quarter, reporting profits per share of \$1.42 and \$5.40 for the full fiscal year, the truth is that investors saw a skunk and were not willing to take a chance. As quickly as possible, investors ran, selling shares at the next available bid price. Although investors are being offered a fantastic opportunity at current prices, it never ceases to amaze me just how often investors are willing to pass up a great opportunity because they fear the worst.

Investors willing to take the plunge will receive a dividend which was just increased by a penny per share, offering a yield of more than 4.5%, as the company has declined substantially enough to trade at a price equal to tangible book value. The value received by investors for buying today is essentially equal to the current shares price with the caveat that the company is using all available capital in a productive manner to increase the bottom line and continue delivering returns to shareholders.

The presents an opportunity for those who are willing to step outside the box and invest in Canada's smaller regional banks. After a fantastic run over the past year, shares of **Canadian Western Bank** ([TSX:CWB](#)) are now at a point of trading at a premium to tangible book value and only yield slightly more than 2.5%.

Although the challenges at Laurentian Bank of Canada are not what investors prefer to see, it must be noted that the regulations that govern banks are far more stringent than those surrounding alternative mortgage lender such as Home Capital Group. To boot, it should be noted that the operations of Laurentian Bank of Canada are significantly more diversified than those of any of Canada's alternative mortgage lenders. Investors are potentially fearing the worst and hoping for the best.

With only one of Canada's Big Five banks offering a similar dividend yield, and no other major bank trading close to tangible book value, the opportunity presented by this name is potentially huge.

No one ever said that investing was easy, but with a significant number of pitfalls surrounding investors on a daily basis, this bump in the road is already a well-known one. As investors are already aware, Home Capital Group has successfully turned the corner and already [started to recover](#). The process at Laurentian Bank of Canada should be significantly easier.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. TSX:CWB (Canadian Western Bank)
2. TSX:HCG (Home Capital Group)
3. TSX:LB (Laurentian Bank of Canada)

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## Author

ryangoldsman

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