



Why Bank of Nova Scotia Is up About 1%

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)), the third-largest bank in Canada as measured by assets, announced its fiscal 2018 first-quarter earnings results and a dividend increase this morning, and its stock has responded by rising about 1% at the open of the day's trading session. Let's take a closer look at the quarterly earnings, the dividend increase, and the fundamentals of its stock to determine if we should be long-term buyers today.

Breaking down the first-quarter results

Here's a quick breakdown of 10 of the most notable statistics from Bank of Nova Scotia's three-month period ended January 31, 2018, compared with the same period in 2017:

Metric	Q1 2018	Q1 2017	Change
Net interest income	\$3,936 million	\$3,643 million	8.0%
Non-interest income	\$3,152 million	\$3,225 million	(2.3%)
Total revenue	\$7,088 million	\$6,868 million	3.2%
Adjusted net income attributable to common shareholders – diluted	\$2,275 million	\$1,946 million	16.9%
Adjusted diluted earnings per share (EPS)	\$1.87	\$1.58	18.4%
Total assets	\$923,152 million	\$886,992 million	4.1%
Deposits	\$635,837 million	\$604,698 million	5.1%
Loans	\$503,197 million	\$477,353 million	5.4%
Assets under management	\$210,828 million	\$193,998 million	8.7%
Book value per common share	\$45.98	\$43.87	4.8%

Rewarding its shareholders with a dividend increase

In the press release, Bank of Nova Scotia announced a 3.8% increase to its quarterly dividend to \$0.82 per share, and the first payment at this increased rate is payable on April 26 to shareholders of record on April 3.

Should you be a buyer today?

It was an outstanding quarter overall for Bank of Nova Scotia, highlighted by +15% growth in adjusted net income and adjusted EPS, and the dividend hike was icing on the cake, so I think the market has responded correctly by sending its stock higher; furthermore, I think the stock represents a great opportunity for long-term investors for two fundamental reasons.

First, it still trades at very attractive valuations. Bank of Nova Scotia's stock trades at just 11.5 times the consensus EPS estimate of \$6.93 for fiscal 2018 and only 10.6 times the consensus EPS estimate of \$7.49 for fiscal 2019, both of which are inexpensive given the low-risk nature of its business model and its very strong cash flow-generating ability; these multiples are also inexpensive given its current double-digit percentage [earnings-growth rate](#) and its estimated 7.8% long-term earnings-growth rate.

Second, it's [a dividend aristocrat](#). Bank of Nova Scotia now pays an annual dividend of \$3.28 per share, which brings its yield up to about 4.1%. Investors must also note that the bank was already on track for fiscal 2018 to mark the eighth straight year in which it has raised its annual dividend payment, and the dividend hike it announced today puts it on track for fiscal 2019 to mark the ninth straight year with an increase.

With all of the information provided above in mind, I think all Foolish investors seeking exposure to the financial sector should strongly consider making Bank of Nova Scotia a long-term core holding.

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Date

2025/09/27

Date Created

2018/02/27

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