



Is it Time to Buy Bank of Nova Scotia Stock?

Description

The recent pullback in the market is giving investors an opportunity to pick up some of Canada's [top stocks](#) at reasonable prices.

Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#)) ([NYSE:BNS](#)) to see if the shares deserve to be on your buy list today.

International focus

Bank of Nova Scotia has invested heavily in building a large international business, with a focus on Mexico, Peru, Chile, and Colombia. The four countries have a combined consumer base of more than 200 million people and form the core of the Pacific Alliance trade bloc.

As the middle-class grows in the region, demand for loans and investment products should increase, which bodes well for Bank of Nova Scotia and its investors.

Strong results

Fiscal Q1 2018 adjusted earnings for the entire company came in at \$2.337 billion, representing a 16% increase over the same period last year. The Canadian banking operations saw net income rise 12% on a year-over-year basis, while international banking reported a net income gain of 18% compared to fiscal Q1 2017.

The bank receives close to 30% of its net income from the international operations, providing investors with a nice hedge against any potential downturn in the Canadian economy.

Growth

Bank of Nova Scotia continues to expand its international and Canadian operations through strategic acquisitions. In late 2017, the bank secured its \$2.9 billion purchase of a majority position in Chile's BBVA. The deal, which is expected to close in mid-2018, will double Bank of Nova Scotia's market share in Chile to 14% and make the Canadian financial institution the third-largest private bank in the

country.

Bank of Nova Scotia is also growing its Canadian operations through its recently announced purchase of wealth manager Jarislowsky Fraser. The \$950 million deal, which should close in fiscal Q3 2018, adds \$40 billion in assets under management and will bump Bank of Nova Scotia into third spot in the Canadian active asset management sector.

Dividends

Bank of Nova Scotia has a strong track record of dividend growth, and that trend should continue with higher earnings. The company recently raised the quarterly payout by \$0.03 to \$0.82 per share. That's good for a [yield](#) of 4.25% based on the current stock price of \$77 per share.

Management is targeting medium-term earnings per share (EPS) growth of at least 7%. As we saw with the latest results, the guidance might be a bit conservative.

Risks?

Rising interest rates could force some Canadian homeowners to sell their properties. If rates increase too quickly, a wave of homes could hit the market, which would put downward pressure on house prices and potentially hit the banks. That said, things would have to get pretty bad before Bank of Nova Scotia's mortgage portfolio sees a material impact. Insured mortgages represent 48% of the loans, and the average loan-to-value ratio on the rest is just 53%.

Should you buy?

Bank of Nova Scotia currently trades for 11.4 times trailing 12-month earnings, which is pretty cheap compared to its two larger Canadian peers. The perceived risk connected to the international operations might be a factor, but the Latin American group is performing well, and the market might begin to change its view on the Pacific Alliance countries as they continue to develop.

If you're looking for a buy-and-hold dividend pick to put in your TFSA or RRAP portfolio, Bank of Nova Scotia deserves to be on your radar today.

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