



## Value Investors: Is Bank of Nova Scotia (TSX:BNS) Oversold?

### Description

The Canadian [banks](#) rarely go on sale, but investors might finally have an opportunity to pick up one of the big three at an attractive price.

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

### Earnings

Bank of Nova Scotia reported fiscal Q2 2018 net income of \$2.2 billion, representing a 6% increase over the same period last year. Diluted earnings per share rose 5% to \$1.70, beating analyst expectations of \$1.67, according to *Reuters*.

Canadian banking saw net income rise 5% on a year-over-year basis, supported by a 6% increase in residential mortgages and a 14% rise in business loans.

International banking stole the show with a 15% increase in net income, with strong asset and deposit growth in the Pacific Alliance zone.

Overall, Bank of Nova Scotia had a solid quarter, and the good times should continue.

### Growth

Bank of Nova Scotia has invested billions to build a large international operation, with the bulk of the funds allocated to Mexico, Peru, Chile, and Colombia. These four countries form the core of the Pacific Alliance, which is a trade group set up to promote the free movement of goods and capital among the member countries.

Combined, the four markets are home to more than 220 million consumers, so the opportunity is significant. As the middle class grows, demand for loans and investment products should increase.

Bank of Nova Scotia is working through its US\$2.2 billion purchase of a majority stake in BBVA Chile.

The deal will double the bank's market share to 14% in the country. In addition, Bank of Nova Scotia recently secured a deal to buy a 51% position in Banco Cencosud in Peru.

Back at home, the focus is on growing the wealth management operations. The bank already completed its \$950 million purchase of Jarislowsky Fraser and just announced a \$2.9 billion deal to acquire MD Financial.

## Dividends

Bank of Nova Scotia has a strong track record of dividend growth. The company raised the quarterly payout by \$0.03 to \$0.79 per share last August and bumped it up another \$0.03 to \$0.82 per share earlier this year. Investors who buy today can pick up a [yield](#) of 4.3%.

## Should you buy?

The stock currently trades for 11 times trailing 12-month earnings, which is a nice discount to its larger Canadian peers that are fetching more than 13 times. The heavy exposure to Latin America might be the reason the market is not willing to pay more, but that region also provides interesting long-term growth opportunities, and the Pacific Alliance countries are more stable than in the past.

If you have some cash sitting on the sidelines and are a buy-and-hold investor, Bank of Nova Scotia looks attractive today.

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