An Undervalued Banking Stock That's About to Trade Ex-Dividend

Description

Why aren't more people talking about **Laurentian Bank of Canada** (TSX:LB) at the moment? This is a prime dividend stock that's undervalued right now (to the tune of 30%) and has absolutely perfect multiples. Of course, no stock is without its issues, but Laurentian Bank is looking like a solid buy right now.

It's coming up to its buy limit on June 28, so let's take a quick look under the bonnet before you make a quick pick of this knockout stock.

A perfect pick for the first-time stock investor

We mentioned Laurentian Bank's multiples earlier, so here they are. It's got a fantastic P/E of 8.1 times, which beats out the financials sector as well as the TSX. It's PEG looks great, too, at 0.8 times earnings, thereby reflecting its undervalued nature. Then there's its price-to-book ratio (P/B), which is a smashing 0.9 times earnings, again beating the financials market as well the TSX.

Now to assets and liabilities. Laurentian Bank has a moderate level of assets compared to its equity, and less than 2% of bad loans – which, in case you were wondering, is very good indeed for a financial stock. Its liabilities are mostly low risk, with loans funded primarily by customer deposits – an altogether stable position.

A low-beta financial stock that can withstand market volatility

If you've never bought a single stock in your life, pick this one. If you're looking to add to your dividend portfolio, pick this one. Looking to line your RRSP for a comfortable retirement or pad your TFSA with stocks that will make you money? Pick this one! It's that simple. Going through its figures, there really does seem to be no downside to buying this stock, but plenty of upside.

A solid player in the Quebec region, it's had some issues of late with a residential mortgage review, but the signs are that this has done little more than to drop the share price and provide low-hanging fruit for value investors. How solid is it exactly? With a low five-year beta of 0.74, it beats the financials sector by almost a quarter, which is a pretty good indicator.

If you want to put a figure on expected growth, it's looking at a 9.6% rise in earnings per annum. A rise of 4.7% in revenue is also in the cards. And while neither of these are high growth stocks, you could expect to see share prices in financials rise as markets get choppier, which they invariably will.

No need for doom and gloom, but the fact is that people might start flocking to financials in a big way, as well as other defensive sectors. So factor that into growth and don't focus too much on what individual stocks are predicting in that regard, as markets are liable to oscillate.

The bottom line

With a payout of 5.64%, Laurentian Bank isn't far off the top quarter of Canadian dividend stocks. Laurentian Bank has a great track record, very healthy assets, and decent growth ahead of it. And don't forget that 30% discount! With characteristics like these, you might be wondering why you don't already hold this stock and decide to bet on a robust housing market and stable customer base.

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