



This Dividend Stock Is a Top Pick Now if You Can Buy and Hold it

Description

If you're a buy-and-hold investor looking for deep-value opportunities, then the time is right to make a bet on [Bank of Nova Scotia](#) (TSX:BNS)(NYSE:BNS) stock, one of Canada's top dividend payers.

First, Canada's top lenders provide one of the best avenues to long-term investors to earn a steadily growing dividend income. The reason is that they operate in an oligopoly where "Big Five" banks dominate the domestic market.

The second attraction for income investors is that these lenders have strong capability to recover from the weakness and reward investors who have the patience and time to stick with their holdings. That's the precise reason that makes me confident to recommend Scotiabank stock now after its steep pullback in the past 12 months.

Why is Scotiabank stock a buy?

BNS shares have fallen more than 12% this year due to investors' concerns that the bank has been too aggressive in its expansion. The Canada's third-largest lender has concluded many mega deals this year to position itself for the future growth.

Some of its biggest deals in the past 12 months include the majority stake in BBVA Chile for \$2.9 billion, a \$950 million transaction to acquire Jarislowsky Fraser Ltd., the Montreal-based independent investment firm, and an agreement to acquire MD Financial Management, an Ottawa-based wealth management firm that targets Canada's health practitioners for about \$2.6 billion.

These deals, according to some analysts, may compromise the lender's balance sheet quality, as it raises capital to fund this growth. But I think investors should ignore these warnings and take advantage of this weakness.

As I pointed out earlier, the bank has the power to rebound quickly due to its strong market position both in Canada and abroad. The recent evidence came from Scotiabank's third-quarter earnings report in late August when the bank reported record Canadian banking profit, with net income rising 8% to \$1.13 billion from a year ago.

The bank was able to achieve this profitability, despite that its earnings from international banking came under pressure due to the costs tied to acquisitions.

The bottom line

Trading at \$71.17 at the time of writing with an annual dividend yield of 4.7%, the highest among the top lenders, BNS stock offers a great value to long-term investors. The lender has paid a dividend every year since 1832, while it's hiked its payouts in 43 of the last 45 years.

With the payout ratio of about 40%, there is [plenty of room for the bank](#) to continue hiking its \$3.40-a-share annual dividend. With the 12-month consensus price estimate of \$86.79 a share, BNS's valuations are compelling enough to place a long-term bet on this top dividend payer.

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