Warning: More Downside Ahead for This Value Stock

Description

It's been a year to forget for **Laurentian Bank of Canada** (TSX:LB) shareholders. In late 2017, the company was caught up in a mortgage scandal that sent its stock price crashing well into this year. Year to date, the company's share price has plummeted by 27%.

Despite putting its mortgage issues behind them, the bank's stock still hasn't recovered; Laurentian is still facing a number of headwinds. For starters, the company is undergoing a massive (and costly) re-vitalization that is impacting the company's bottom line.

Second, the bank is facing a potential strike. Laurentian is the only bank in North America with a unionized workforce – one that's been without a contract since the end of 2017. This has investors on the defensive.

Laurentian is still dealing with trust issues, leaving investors skittish and patiently waiting to see how the company performs before jumping back in. On Wednesday, it released fourth quarter and year-end results. Is it enough to turn the tide? Let's take a look.

Laurentian Bank's fourth-quarter results

Analysts were expecting Laurentian Bank to post earnings of $1.26 per share on revenue of $263.72 million. Unfortunately, shareholders were disappointed when the bank missed on both the top and bottom lines. Earnings came in at $1.24 per share and revenue came in $7.85 million lighter than expected.

The results represent a year-over-year decline of 25% and 5%, respectively. The miss highlight the dangers of jumping into to a stock because it is cheap on a historical basis. Earnings and revenue were expected to be lower and in 2019, analysts expect the company's earnings per share to drop by another 5%.

The company did not do enough in the quarter to justify any significant investment in the company.

Growing dividend

Along with earnings, analysts were expecting the bank to raise dividends. As it raised quarterly dividends by $0.01 to $0.65 per share, it did not disappoint. In effect, the company has extended dividend growth streak to 11 years. Laurentian's dividend growth streak is also the second longest among Canada's banks.

Combined with its penny raise from earlier this year, Laurentian has raised dividends by 3.2% this year. The company's dividend growth rate is on the low end. This is to be expected and exhibits restraint as it navigates some of the aforementioned headwinds.

Foolish takeaway

Laurentian is a long-term investment. Although it provides good value at these levels, after the recent market downtrend, so do Canada' Big Five banks.

If you're looking for exposure to Canada's financial sector, I would take a position in one of the larger banks. They are more reliable, have higher dividend growth rates and should continue to grow earnings.

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