



An Oversold Stock With a 4.8% Dividend Yield to Buy Right Now and Own for Decades

Description

The 2019 stock market rally appears to be hitting the pause button, and while many top names continue to trade near record highs, there are a few good companies in the TSX Index that never really caught a big tailwind and now appear somewhat oversold.

Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) to see why it might be an interesting pick for your [portfolio](#) today.

Cheap multiple

At 10.6 times trailing 12-month earnings, Bank of Nova Scotia appear undervalued today, and the stock might get even cheaper if the trade negotiations between the U.S. and China take a nasty turn and trigger a broad-based correction in the stock market.

Bank of Nova Scotia has rebounded from the December low near \$66 per share to the current price of \$72, but it remains well below the \$80 high it hit in the past year and its two larger Canadian [peers](#) are fetching multiples in the 12.5-13 times earnings range.

Why the discount?

Investors might be waiting to see if a string of acquisitions made in 2018 will deliver the expected returns.

In Canada, Bank of Nova Scotia added two large wealth management companies to beef up its wealth group and just announced it is creating a Global Wealth Management business line. Wealth management previously sat under the Canadian Banking group.

Some pundits say the bank paid a high price to win both MD Financial Management, which is Canada's leading provider of financial services to physicians and their families, and Jarislowsky Fraser, a leading independent investment firm. Bank of Nova Scotia paid \$2.6 billion for the opportunity to

manage the money of the country's doctors, and \$950 million for Jarislowsky Fraser, with an additional \$56 million earn-out based on targets being hit.

The bank issued \$1.5 billion in stock at \$76.25 per share to help pay for the MD Financial deal.

Latin America

Bank of Nova Scotia also spent US\$2.2 billion to double its market share in Chile last year. The deal to acquire a majority stake in BBVA Chile bumped Bank of Nova Scotia's share of the market to 14%. The BBVA news release said the deal was at two times book value and 20 times profit.

Should you buy?

Bank of Nova Scotia has a good track record of integrating acquisitions, so investors should see the recent deals eventually pay off for the bank.

At 1.4 times book value and just 10 times forward earnings, the stock currently appears cheap. In the event we see the equity markets correct in a meaningful way, the share price could retest the December 2018 low, although any dip under the \$70 mark should probably be viewed as a good opportunity for buy-and-hold investors.

The dividend should be rock solid, and investors who decide to step in today can secure a healthy 4.8% yield.

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