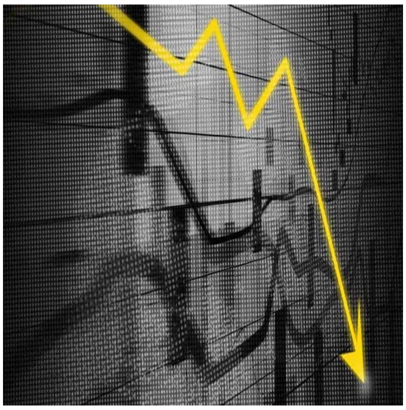

# Why Laurentian Bank (TSX:LB) Stock Fell 4% in August

## Description

**Laurentian Bank** (TSX:LB) shares fell 4% in August following a surge that had seen the LB stock climb more than 21% since the start of 2019.



But in light of the latest pullback, is now a good time to buy the shares of Canada's seventh-largest bank?

The big story with LB this year has been its ability to resolve an ongoing collective bargaining dispute that had plagued the company's share price going back all the way to 2017.

But those issues are now firmly in its rear-view mirror. On the surface, at least, it would appear as though the company and its shareholders came away with a pretty good deal when all was said and done.

The new collective agreement, which was signed on March 29 and is set to be effective through to the end of 2021 was successful in achieving two critical goals:

- Redefining the scope of the collective agreement to include only specific positions, including financial advisors and certain client-facing roles
- Placing greater incentive on performance-based metrics (at the cost of job security)

In addition, the new collective agreement will also provide the company with the ability to compete on a more even playing field with its competition and as well as greater flexibility in its ability to schedule staffing schedules, including the ability to outsource and automate certain administrative activities.

Still, because of all that's gone on over the past year, 2019's results haven't been so overwhelming.

Year over year, LB's reported net income is down 27%, adjusted earnings per share are down 27% and ROE is down 330 bps.

Yet, big picture, this is a bank that has consistently delivered earnings not unlike Canada's other Big Six banks. Meanwhile, its credit profile has also outperformed those of its Big Six rivals, with

Laurentian reporting consistently lower provisions for bad debt expense that the average of its competition.

Looking ahead, management's plan is to invest in right-sizing and modernizing its corporate functions, including investing in the technology that will allow it rebuild a proper account-management platform, including a proper online experience and digital strategy.

Part of that transformation will also involve streamlining certain administrative functions, making certain decisions to allow it to optimize its product mix, including an internal ratings based approach that will help to reinforce a culture of performance.

## Foolish bottom line

Even though Laurentian Bank looks attractive in light of its 5.89% annual dividend yield and 11 times trailing price-to-earnings ratio, I'm not quite sure that now is the ideal time to initiate a position in the company.

In light of the sharp run up that's already taken place so far in 2019, I think I'd rather wait on a pullback before getting in, perhaps something closer to the mid- to high $30 range might make a lot more sense, even if you are a Foolishly minded, long-term, and patient investor.



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