Buy and Hold This 1 Bank Stock to Benefit From Higher Quality Earnings in 2020 and Beyond

Description

I wish someone had told me to invest in banking stocks when I was fresh out of university and entering the workforce. People really underestimate the role of an investing mentor in building wealth long-term. Today I play the investing mentor role to several young millennials who are new to the workforce and overwhelmed by sky-high rents in many parts of Toronto.

No matter what, I always advise young people to set aside even twenty bucks a month and put it in savings until they have a bit of "seed capital" to open up their own personal investing or TFSA account. Once they have enough, I always advise them to start by investing in Canadian bank stocks that will act as a portfolio stabilizer – portfolio cornerstones, if you will.

Without a doubt, one of those stabilizing stocks is **Scotiabank** (TSX:BNS). My regular readers know that I have a soft spot for the only Canadian bank that has deep roots in Latin America, especially the fast-growing Pacific Alliance countries. It's not only the bank's strategy that I love but the fact that it has generated real results in the form of a 12% total shareholder return over the last 20 years.

But there are other reasons to invest in Scotiabank for the long-term, which may not be as apparent to investors. I am going to dive into one of those reasons today: the bank's sponsorship of the Scotiabank Arena in downtown Toronto.

What's in a name?

Scotiabank paid a record $800 million for the naming rights of the facility formerly known as the Air Canada Center, or the ACC if you're a Torontonian. This beautiful facility in the downtown core is home to both the Toronto Raptors and the Toronto Maple Leafs, two fantastic global brands for basketball and hockey, respectively.

Under terms of the deal announced back in 2017, the bank will pay a reported $40 million a year for the next 20 years for a total price tag of $800 million. This price tag was more than 10 times what Air Canada paid for the initial rights nearly two decades ago and at the very high end of similar deals elsewhere in the country.

At the time Scotiabank announced the deal, a lot of people thought that they have overpaid significantly and that it would represent dead money. However, Scotiabank's deal was both prescient and astute, and I believe they actually got a great deal.

There are two reasons for this. The first is that no one is actually watching cable television anymore, which means that traditional paid TV advertising is dead. Sports is one of the last remaining ways to get live eyeballs on something and smart companies that realize this are fine with paying a premium to be attached to sports, especially hockey and basketball in Canada.

Second, when they signed the deal in 2017, the Raptors were not even a bit player in the greater basketball narrative. Sure, Toronto was obsessed with the team but I don't think anyone outside of Ontario really cared. All of that changed swiftly this summer when the Toronto Raptors became NBA champions. Remember, Scotiabank's name was being advertised all over the arena for all the playoff home games, which garnered a worldwide audience in the billions.

After the Raptors won the championship, Scotiabank executives were asked how they felt about their well-timed investment and they confidently responded that they loved the deal in 2017 and they love it even more in 2019 and beyond.

The fact is that the NBA champions will be playing at the Scotiabank Arena for the remainder of 2019 and half of 2020. This was not anticipated when the deal price of $800 million was set and now this is looking like a bargain, especially if the Maple Leafs can make a deep run this year. They are third in the Atlantic division right now, so there are certainly high hopes.

Foolish bottom line

Scotiabank has aligned itself with two phenomenal sports franchises with ever-increasing global fan bases. This bodes well for its future because sports fans around the world are paying attention to Scotiabank, especially in Latin America, where Scotiabank has a growing presence.

Since I first wrote about Scotiabank in August, the stock has been on a tear, going from $70 to $75, a 7% gain in a couple of months. Smart investors will take advantage of this positive momentum and start accumulating shares now, especially before the new basketball season begins today.

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