



## TSX Bank Earnings: Could Laurentian Bank Pull Off Another Pleasant Surprise?

### Description

Montreal-based **Laurentian Bank of Canada** ([TSX:LB](#)) will announce its Q4 results next week on December 4. Its stock has been trading on a positive note for the last three weeks amid the recently seen sharp gains in most banking sector stocks.

### Outperforming larger banks' shares

As of November 26, LB stock is trading with about 28.4% gains for the month compared to an 11.1% rise in the **S&P/TSX Composite Index**.

With a market cap of about \$1.45 billion, Laurentian Bank of Canada is very small compared to other banks like **Royal Bank of Canada**, **Toronto-Dominion Bank**, and **Bank of Montreal**. RBC, TD Bank, and Bank of Montreal currently have market caps of \$153.2 billion, \$128.2 billion, and \$62.4 billion, respectively.

Interestingly, the shares of Laurentian Bank of Canada have outperformed these peers by a wide margin lately. The shares of Royal Bank of Canada, TD Bank, and Bank of Montreal have inched up by 15.6%, 20.9%, and 22.3%, respectively, this month so far.

Let's find out if the estimates for its upcoming earnings justify these gains in Laurentian Bank stock.

### Key factors to watch

Like all of its larger peers, Laurentian Bank of Canada has faced immense operational challenges in the last few quarters due to COVID-19-related restrictions and costs. Five years ago (in November 2015), the bank's management laid out a seven-year transformation plan. While it has not yet made any changes in its seven-year plan, the bank expects some delays in achieving the plan's financial goals due to the pandemic.

Also, Laurentian Bank is trying to improve its digital offerings lately to minimize the pandemic-related

headwinds.

We might get to see more updates related to its progress on its seven-year plan and digital offerings expansion during its upcoming earnings event.

## Estimates for Laurentian Bank's Q4 earnings

Analysts expect Laurentian Bank of Canada's net profits to fall at an accelerated rate in the fourth quarter of fiscal 2020. According to their estimates, the bank's bottom line is likely to fall by 30.2% YoY (year over year) to \$31.2 million in Q4.

It'll also be significantly lower than its adjusted net profit of \$47.1 million in the previous quarter. Bay Street analysts' fourth-quarter net profit expectations translate into earnings of \$0.73 per share.

Analysts expect a sharp contraction in its net profit margin in the fourth quarter to 13.1%. It would be much lower from 18.9% in the previous quarter and 18.5% a year ago.

## Could it continue to surprise?

Note that Laurentian Bank of Canada [pleasantly surprised](#) investors and analysts in the third quarter by reporting more than double net profits than the expectations of \$20.31 million. Factors such as adjusted lower non-interest expenses, cost-control measures, and a sequential reduction in provision for credit losses helped the bank [immensely improve](#) its earnings in the last quarter.

It would be interesting to see if the bank continues to report improvements in its financials in the fourth quarter.

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