



## Scotiabank vs. Laurentian Bank: Which Bank Will Outperform in 2021?

### Description

It's important to differentiate between whether a stock has value or is simply cheap. Right now, I think **Laurentian Bank** ([TSX:LB](#)) falls in the latter category.

### Laurentian's yield looks attractive right now

With the company's 5.1% dividend yield, income investors may be enticed to pick up shares of this bank at these levels. That said, there are a number of other higher-quality ways to get a 5% yield in today's market.

For example, one stock I've been [pounding the table](#) on for quite some time in terms of dividend superiority has been **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)). Scotiabank's current dividend yield is not only higher, but of higher quality.

Herein lies the importance of comparative analysis, particularly in sectors like the Canadian banks.

### Growth prospects very different

I don't see a reasonably easy path to growth for Laurentian compared to its peers like Scotiabank right now. This is because Laurentian's core business is highly regional in nature. In contrast, Scotiabank's core business is highly diversified geographically and across various sectors as well.

Investors looking for growth in the banking sector ought to consider where growth will come from long-term. Scotiabank has become innovative in terms of using technologies to improve operating efficiencies. Laurentian has lagged in this regard.

### Could a new female CEO make everything better?

One of the interesting announcements which caused Laurentian's stock price to pop somewhat in late

2020 was the announcement of a new CEO, Rania Llewellyn, the first woman to take the helm of a major Canadian bank. Accordingly, this news has been (rightly) cheered by financial markets. This move perhaps resulted in a shift in thinking among some investors that a new management team could better steer this ship in the right direction.

The jury's still out on this front. In fact, I see this new management team as a potential headwind in the short term. This is because it's more likely we could see the bank "take a bath" on the perceived mismanagement of the previous management team.

## Long-term prospects

Long term, there aren't many catalysts that would justify investing in Laurentian, given the size and strength of its peers. As a smaller, regional operator, the risk profile of this investment is inherently higher. Additionally, this is a company many analysts have pointed to as one which has been somewhat mismanaged in recent years. Furthermore, Laurentian's technological profile isn't one that improved operational efficiencies could be on the horizon.

## Bottom line

Accordingly, I'm very confident that Scotiabank will outperform Laurentian this year and over the long term. I'd encourage investors to stick with the larger names with better pathways for long-term growth in this sector. This goes double for those with longer-term investment time horizons.

### CATEGORY

1. Bank Stocks
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### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:LB (Laurentian Bank of Canada)

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