Scotiabank (TSX:BNS): A Dividend King That's Way Too Cheap

Description

Despite posting better-than-expected fourth-quarter results, **Scotiabank** (TSX:BNS)(NYSE:BNS) stock still isn't getting the respect that it rightfully deserves. Sure, the internationally focused Canadian bank may bring forth more risk than any other Big Five bank, but for bearing such risks associated with emerging markets comes a greater potential for rewards.

Scotiabank: International banking exposure for cheap

If you desire to beat the markets over the long run, gaining some exposure to the emerging markets will make your job that much easier. And whenever you can gain such exposure at a discount, the greater your risk/reward will stand to be. Following the horrific COVID-19 crisis, stocks with more than their fair share to the emerging markets have taken a huge hit to the chin, providing a compelling opportunity for contrarian investors who've yet to gain exposure to sought-after higher-growth regions.

Scotiabank has brilliant managers and is an easy (and probably safer) way for Canadians to gain exposure to the "growthier" international banking scene. Scotiabank stock suffered a massive 35% peak-to-trough drop in February and March, bringing shares down over 41% from their 2017 highs. Today, the stock has since recovered a considerable amount of ground (BNS shares are up over 40% since March), but I still view deep value in the name as the world begins to heal from the pandemic in the latter part of 2021.

Scotiabank: A top income pick on the TSX

Fellow Fool contributor Chris MacDonald is a raging bull on shares of Scotiabank, going as far as calling it his top income pick to kick off the new year.

"The market has more than priced in the losses banks will see from the coronavirus pandemic." MacDonald wrote in his prior piece. "Additionally, I think Scotiabank has done a good job of provisioning for said credit losses and perhaps over-provisioned. When things improve, and the company removes these provisions, Scotiabank's bottom line will look really good. The company's dividend yield of [5.1%] is the best among its peers, in my view."

While the same things could be said for any Big Six bank amid its late-2020 recovery, I'd have to agree with MacDonald when he says that Scotiabank stock has way too much pessimism baked into the share price at these levels. Given that Scotiabank has been a relative underperformer for many months following the coronavirus crash, it's not a mystery as to why the BNS stock has been a bit slower to bounce back versus the likes of some of its bigger brothers, including **Royal Bank of Canada**, which is just a percentage point away from reaching new all-time highs.

Foolish takeaway on the Dividend King

Sure, the emerging markets appear that much riskier these days. Still, if you have an investment horizon that spans years and not months, I'd argue that now is as good a time as any to gain some exposure while the price of admission is low, especially if you're domestically overexposed.

At the time of writing, shares of Scotiabank trade at 1.3 times book value and 2.7 times sales. As provisioning falls and loan growth recovers, Scotiabank stock could have more room to run versus some of its pricier peers in the Canadian banking scene.

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