1 TSX Stock Young Investors Should Buy and Hold Forever

Description

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is a [highly diversified financial services](#) provider based in North America. BMO has approximately 12 million customers, 1,400 bank branches, 4,800 automated banking machines and more than 43,500 full-time equivalent employees. BMO's operating groups include personal and commercial banking, wealth management, and capital markets.

At current prices, BMO's stock is very inexpensive and could provide a wonderful opportunity for long-term investors. The company has a price-to-earnings ratio of 12.87, price-to-book ratio of 1.30, dividend yield of 4.13%, and market capitalization of $51.43 billion. BMO's leverage is moderate in comparison to the other major Canadian banks, and it has excellent performance metrics with a return on equity of 9.47%.

BMO's banking division is one of the strongest in Canada. Personal banking provides customers with a variety of financial products and services. The commercial banking division is popular among small businesses and provides sector and industry expertise, local presence, and a full suite of commercial products and services.

BMO's wealth management is [well respected](#) in North America and offers a wide spectrum of asset, wealth management, and insurance products and services aimed at helping clients plan, grow, and protect wealth. BMO's capital markets division offers equity and debt underwriting, institutional sales and trading, corporate lending and project financing, mergers, and acquisitions advisory services, securitization, risk management, and equity and fixed-income research.

Canada's financial services industry includes 36 domestic banks and 50 foreign bank subsidiaries. BMO competes with the other five major Canadian banks and is the fourth-largest chartered bank in Canada. The recent COVID-19 pandemic added significant challenges to BMO's personal and commercial businesses due to the government's stay-at-home orders. Despite this, BMO's digital solutions were utilized extensively across all customer segments. The bank was well prepared for a one in 100-year event.

Significant growth in BMO's wealth management division is expected as high net worth and retirement

segments become increasingly significant. BMO has successfully deployed digital technology to digitize operations, expanded international capabilities, utilized artificial intelligence (AI) in the new remote environment, and strengthened cloud partnerships to drive innovative technology capabilities in the areas of robotics and AI.

These business initiatives by the bank is expected to enhance efficiencies and drive customer satisfaction. BMO has taken a number of steps to improve customer loyalty and regularly monitor the competitive landscape in order to effectively price products and services. Throughout the pandemic, the bank maintained a prudent risk profile and adopted a disciplined approach to expense management.

Canada's banking industry is expected to experience moderate growth, supported by an overall focus on productivity, and continued investments in infrastructure and technology. Although the major banks offer similar products and services, they compete on offerings, pricing, service models, and technology solutions.

BMO has done particularly well in entering strategic partnerships and alliances. By serving customers better, the bank has gained a competitive advantage compared to the other major banks. Further, BMO's operational efficiencies have greatly improved, and the bank's strategy of providing exceptional customer service has paid rich dividends.

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Date
2025/07/05
Date Created
2021/01/21
Author
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