



TFSA Stock Picks: 1 Great Buy in January 2021

Description

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is a [bank and financial services provider](#) located in Canada. The bank helps customers achieve success through a broad range of advice, products and services, including personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets.

The company has a price-to-earnings ratio of 13.28, price-to-book ratio of 1.35, dividend yield of 5.11%, and market capitalization of \$85.03 billion. Bank of Nova Scotia has excellent performance metrics with an operating margin of 33.25% and a return on equity of 9.74%.

The company manages [four business operating segments](#). Canadian banking provides financial advice and banking solutions to over 11 million retail, small business, and commercial banking customers. International banking has a strong and diverse franchise with more than 10 million customers.

Global banking and markets provide corporate clients with lending and transaction services, investment banking advice and access to capital markets. Global wealth management manages over \$500 billion in assets and is focused on delivering comprehensive wealth management advice and solutions to clients.

Bank of Nova Scotia is well positioned in the Canadian banking system, which consists of numerous banks and other financial institutions. These banks compete nationwide through extensive branch networks, telephone, internet, and mobile banking offerings.

In total, the Canadian banking system includes 36 domestic banks, 28 foreign banks and more than 300 credit unions. Bank of Nova Scotia's range of products and services offered, innovation in features, services, technology and delivery, as well as the various pricing schemes adopted are the most competitive in Canada. Despite an increased number of new entrants into the financial services sector in recent years, Bank of Nova Scotia is critical to the success of the Canadian financial services industry.

In 2020, the bank's net income was \$6,582 million, down from \$8,208 million in 2019 due to COVID-19. Return on equity was 10.4%, compared to 13.1% in 2019 and 14.5% in 2018. The bank's actual

dividend-payout ratio was 66.3% compared to 51.9% in 2019 and 47.7% in 2018.

Recently, the bank has been making strategic sales to take advantage of market conditions. Banking operations in the British Virgin Islands and banking and insurance operations in El Salvador were sold off in 2020. Further, the bank sold Puerto Rico and the Virgin Islands operations.

These sales follow sales completed by the bank in 2019, when a pension and insurance business was sold off. Bank of Nova Scotia has also been strategically buying assets at attractive prices. In 2018, the bank acquired MD Financial Management Inc. (MD) from the Canadian Medical Association (CMA), for approximately \$2.7 billion.

MD is Canada's leading provider of financial services to physicians and their families, with more than \$49 billion in assets under management and administration. As part of the deal, the bank and the CMA entered into a 10-year affinity agreement, under which the bank will commit to pay \$115 million over the next 10 years to support the advancement of the medical profession and health care in Canada.

Exciting things are going on at Bank of Nova Scotia. Shareholders who buy the bank's stock could handsomely profit over the long term.

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