Today's Top Buy: Scotiabank

Description

Bank stocks have been making a strong recovery, as the vaccine rollout gathers steam in Canada. Yes, when it comes to undervalued stocks, I mostly talk about non-financial companies. However, I think that **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is not getting the respect it deserves from the market right now, even after its strong fourth-quarter earnings.

Of course, there might be some risk associated with this stock when compared to its peers. However, it appears that there might be an excellent opportunity for investors as of today.

Scotiabank's international exposure is bullish for investors

Although emerging markets are riskier than developed markets, the former is much more rewarding. Indeed, they have the ability to generate market-beating returns in the long run. Hence, when the opportunity arises to get access to this exposure for cheap, investors have to cash in. Bank of Nova Scotia is Canada's third-largest bank and is a clear winner as far as global ambition is concerned.

Recently, the company has made various acquisitions that have instrumental in diversifying its operations outside of Canada. Indeed, the lender's increased presence in Mexico, the Caribbean, and parts of South America, which include Chile, Peru, and Colombia, is bullish for growth investors today.

Furthermore, this bank has an efficient management team with great strategic foresight. I think Scotiabank remains the best option for investors to get international banking exposure from a Canadian bank today.

Scotiabank is an excellent income play

The company earns an 11% return on equity and has increased its earnings at a compound rate of 5% between 2008 and 2020. Yes, its ROE is lower when compared to other leading banks of Canada. However, I believe that Scotiabank's emerging market exposure will continue to provide growth on this metric long term.

Out of the Big Six Canadian banks, this company has the most exposure to emerging markets, which are growing at an accelerated rate. Between 2018 and 2019, this company completed a number of takeovers, which included two large asset management companies, namely MD Management and Jarislowsky Fraser.

The company has been halting some non-core operations that have provided headwinds of late. Accordingly, these cost-cutting measures should free up capital, allowing Scotiabank to focus on its more profitable operations. Indeed, I think these moves will be very positive for the company's long-term earnings picture.

Additionally, these moves will also allow the company to fund more acquisitions and increase its dividend. At the time of writing, Scotiabank has a market capitalization of $94 billion and a valuation multiple of 14.5 times its earnings. This represents a great opportunity for investors as of today.

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TICKERS GLOBAL

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