



Why it's Time to Be Bullish on Laurentian Bank Stock

Description

During the pandemic, the banking sector got absolutely obliterated. Indeed, we had no idea what loan losses would look like. Credit quality was suspect. And investors didn't know to what degree central banks would step behind lenders to support the system.

Thankfully, those days are long gone right now. As we look forward to a pandemic recovery, investors are largely shifting their focus to banks. Indeed, one such bank that is worthy of a look right now is **Laurentian Bank** ([TSX:LB](#)).

Here's why I think investors ought to take a closer look at this Quebec-based bank right now.

Strong earnings leading to upgrades

While many investors are enamoured with story stocks today, other investors are focused on looking at the numbers. For those more conservative [fundamentals-oriented investors](#), Laurentian Bank is just the stock to consider today.

The company's Q1 earnings report easily surpassed consensus estimates. Laurentian Bank booked quarterly profit of \$53 million this past quarter, far exceeding last year's numbers of \$9 million. The company's earnings-per-share growth has meant that Laurentian Bank currently trades below 12 times earnings. This is cheap compared to the broader stock market as well as the banking sector as a whole.

The company's strong results signaled the recovery is in full swing, and some normalcy is coming back to the banking sector. Increased margins driven by expense management and unique revenue drivers are also bullish for Laurentian.

Accordingly, Scotia Capital's Meny Grauman and Doug Young of Desjardins Securities recently both raised their target prices for Laurentian, with a "hold" rating. Various factors drove these analyses. However, the consensus is starting to build that Laurentian's business model is much more robust than the market is giving the company credit for. If Laurentian can maintain its net interest expense ratio

below 70 and continue to build out its non-mortgage lending book, this momentum could continue for some time.

Bottom line on Laurentian Bank

While reduced loan-loss provisions drove much of this earnings beat, Laurentian Bank's performance is noteworthy. Additionally, various analyst upgrades shed a positive light on this regional bank's future.

For those optimists out there who believe brighter days are ahead, Laurentian Bank is certainly a great pick in this market. This is a long-term buy-and-hold opportunity trading at a favourable valuation today. I expect more upgrades on the horizon, as the company posts better numbers coming out of this pandemic.

Of course, time will tell how Laurentian Bank ultimately does. But things are looking up for this growing financials stock today.

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1. Bank Stocks
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1. TSX:LB (Laurentian Bank of Canada)

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