Forget the Big Six Banks: This Bank Is a Better Buy

Description

It can't be denied. The Big Six banks continued to report strong revenue during earnings reports over the last two weeks. However, some Motley Fool investors may have been surprised to see their share prices drop on the **TSX** today.

What gives? It seems investors have a few concerns. The first is that this growth is bound to start slowing. This comes from the continuation of lower interest rates, along with joining the pack of providing low to no commission fees. After a year of stellar growth, some may believe it's time to take your funds and run.

True; each bank is still valuable. Each is still a great long-term buy. I'm not saying you should hold off indefinitely. But if you're looking to invest and see higher growth, then it might be time to consider banks outside the Big Six.

Canadian Western Bank

Analysts recently made a slew of upgrades for **Canadian Western Bank** (TSX:CWB). The bank recently reported strong earnings this quarter, beating analyst expectations in the process. Earnings per share (EPS) rose 38% year over year for the quarter, and total revenue was up 16% to $262.2 million. Loans also increased by 9%, and deposits were up 17%. The Big Six banks were about half those numbers.

The bank expects to continue delivering these strong results for the next quarter. In fact, management announced it expects to drive annual growth for adjusted EPS of more than 20% for this year. Management also believes growth will come from its enhanced digital banking platform. It's these points that have analysts believing this is a top stock on the TSX today compared to the Big Six banks.

What analysts are saying

Canadian Western is definitely more attractive when looking at valuations, according to analysts. Not only do analysts predict this year will be strong, but they think 2022 will be as well, believing it an outperformer in the industry for both years. And while management expects 20% growth, analysts believe there could be growth of 25% for EPS. That's especially after it announced EPS of $1.01 for the quarter — far above the $0.89 predicted by analysts.

Yet the bank remains a strong buy based on its fundamentals and is well within value territory. Shares trade at a P/E ratio of 10.75 as of writing, below that of the Big Six banks. It also offers a dividend yield of 3.16% as of writing. Shares are up 41% in the last year and 122% since the market crash. It's been growing at a steady rate since then, along with the other banks.

Bottom line

Given the opportunity for growth and income at a cheap price, Canadian Western is a top choice for Motley Fool investors seeking a long-term investment. You can pick up the stock now on the back of strong earnings, with the promise from management of even more growth for this year and even more the year after that. The bank seems to have hit its stride, coming up with new ways to bring in clients and make accessing the bank easy. Analysts give the stock an average share price of around $42 as of writing, though that may change as more upgrades come in. Even still, that's a potential upside of about 13% as of writing for the next year alone!

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