This Bank Is Still a Great Buy

Description

Finding the right investment takes patience and research. Often, investments that are perceived as stellar long-term buys are years away from reaching that potential. Fortunately, some stocks, such as Canada's bank stocks, retain that stellar long-term appeal. Specifically, this one bank is still a great buy for investors.

Bank stocks are good: This one is great

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is neither the largest or most known of Canada's big banks, but it is still a great buy.

Like its peers, Scotiabank operates a massive domestic segment that provides a handsome stream of revenue for the company. Where Scotiabank differs from its peers, however, is with respect to international expansion. More specifically, the difference lies with *where* Scotiabank has opted to expand.

Instead of focusing on the U.S. market, where some of its big bank peers have enjoyed stellar success in recent years, Scotiabank looked further south. Specifically, Scotiabank looked towards the Latin American nations of Chile, Columbia, Mexico, and Peru. Those four nations comprise a trade bloc that is known as the Pacific Alliance.

The Alliance is charged with fostering better trade and eliminating tariffs between its member states. Scotiabank has expanded heavily into those regions with an enviable branch network over recent years. That expansion paid off, as Scotiabank has become a preferred and trusted lender throughout the region. That factor alone solidifies the point that the bank is still a great buy.

What about results?

Now, with the economic reopening after pandemic-related closures, the extent of that investment is beginning to take shape. Fortunately, Scotiabank recently announced results for the fourth quarter, which we can look at.

In that quarter, Scotiabank's international segment, which includes results from its Latin American holdings, reported an adjusted profit of $614 million. This not only topped expectations but also surpassed the amount reported in the same period last year by a whopping 74%.

Overall, Scotiabank reported a net income of $2.559 billion, or $1,97 per share. Compared with the same period last year, earnings came in 35% higher.

How about an early holiday gift?

One of the other notable points during the recent earnings announcement was with respect to dividends. When the pandemic hit back in 2020, Scotiabank, along with all of Canada's banks, were barred from hiking dividends. This interrupted a well-known process of annual or better hikes to those dividends.

That moratorium was finally lifted last month. This means that the banks, which are awash in cash, can finally return some of those earnings to investors.

In fact, not only are the banks now reinstituting their quarterly dividends, but they are also providing a larger-than-usual dividend increase to make up for the lost time. In the case of Scotiabank, that amounts to a whopping 11% increase to its dividend, bringing the yield up to 4.77%. On a $35,000 investment, that works out to an income of nearly $1,670 in the first year alone.

That also makes Scotiabank one of the best-paying dividends on the market. But wait — there's still more.

The bank is still a great buy

If that weren't enough, there are two more points to keep in mind. First, Scotiabank's stock price has already seen a whopping increase in 2021 of over 21%. As impressive as that sounds, this could just be the start. Interest rate increases across multiple markets will translate into further gains during the next quarterly update.

Finally, the bank is planning to repurchase 24 million shares, or approximately 2% of outstanding shares. In short, the bank is still a great buy. Buy it, hold it, and watch your portfolio grow.

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