



Earnings Alert! Is Scotiabank Stock a Buy After its Q3 Results?

Description

The latest quarterly banking sector earnings season in Canada kicked off today, with **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) announcing its July quarter results before the market opening bell. Investors initially reacted negatively to Scotiabank's fiscal third-quarter (Q3) 2022 (ended in July) report, as BNS stock fell by 1.2% in Tuesday's premarket trading on the **New York Stock Exchange**. Let's dive deeper into Scotiabank's financial results and find out whether its stock is worth buying after its Q3 earnings event.

Scotiabank's Q3 2022 earnings report

In the third quarter of its fiscal year 2022, Bank of Nova Scotia's total revenue slightly rose by 0.5% YoY (year over year) to about \$7.8 billion, missing analysts' expectation of \$8.1 billion. The bank's lower-than-expected Q3 revenue figures could be attributed to a sharp decline in its capital markets segment revenue, which was affected by uncertain market conditions and lower advisory fees.

With this, Scotiabank registered an 11.8% YoY decline in its non-interest income. On the positive side, its net interest income for the quarter increased by 10.9% from a year ago to \$4.7 billion, which helped the bank maintain an overall positive growth trend in its total revenue.

Despite its nearly flat quarterly revenue figures, Scotiabank reported a 4.5% YoY rise in its adjusted earnings in fiscal Q3 2022 to \$2.10 per share. The bank's management [attributed](#) this earnings growth to the bank's strong credit quality, growing loan book across all business lines, and prudent expense management, despite a more challenging macro environment.

Its Canadian and international banking segments posted strong 12% and 28% YoY earnings growth, respectively. In contrast, its quarterly earnings from the global banking and markets segment dived by 26.3% from a year ago to \$378 million. Similarly, its global wealth management segment earnings slid by 3.5% YoY to \$383 million in Q3. With this, Scotiabank's total adjusted earnings fell slightly short of Street analysts' consensus estimate of \$2.11 per share.

Is BNS stock worth buying after the earnings event?

Bank of Nova Scotia has been one of my favourite Canadian [bank stocks](#) due mainly to its well-diversified business. Based on its fiscal year 2021 revenue figures, the bank made nearly 64% of its total revenue from its home market, while the remaining came from other countries, including the United States, Mexico, Chile, Peru, the Caribbean and Central America, and other international markets.

While a recent poor performance of its global wealth management and global banking and markets segments could continue to haunt investors in the near term, this weakness was primarily because of the ongoing uncertainties at the macro level. That's why I don't expect these temporary external factors to affect Scotiabank's long-term financial growth outlook, as it continues to focus on its strategic growth plans.

In addition, its robust cash flows and strong balance sheet could help it continue rewarding its investors with strong [dividends](#). At the current market price of \$80.78 per share on the **TSX**, BNS stock has an attractive dividend yield of around 5.1%. Given these positive factors and recovery expectations, long-term investors may consider buying Scotiabank stock on a dip after its third-quarter results.

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Date

2025/09/04

Date Created

2022/08/23

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