



Probus Investment Club

INVESTING BASICS

CANADIAN BANKS

Objectives

- What is Value Investing? What are the fundamental techniques you use to determine if a company is a good investment?
- Review Educational Videos on Investment Techniques and Discuss (6 videos)
- Summarize what we have learned
- Review 3 Largest Canadian Banks

Agenda

- Define Value Investing
- Video: What are Dividends? – Dividends Explained
- Video: What are Earnings per Share?
- Video: What is a Payout Ratio?
- Video: What is the Price to Book Value Ratio?
- Video: What is the Price to Earnings Ratio?
- Video: What is the Intrinsic Value per Share?
- Review 5 Largest Canadian Banks
- Next Meeting: Topic

What is Value Investing?

1. An investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value.
2. Value investors actively search for stocks they think the stock market is underestimating.
3. Are long-term investors of quality companies.
4. Use financial analysis tools.
5. Introduced to this strategy through discussions about Warren Buffet.




6 Basic Tools Used By Investors

1. Determine the [Dividend](#).
2. Determine [Earnings per Share](#) to assess profitability and amounts being reinvested
3. Find the [Payout Ratio](#) to Assess Risks of a Cut
4. [Price to Book Value Ratio](#) to determine when the market is undervaluing a stock
5. [Price to Earnings Ratio](#) to Compare Value Relative to Similar Stocks
6. [Fair Value vs. Price per Share](#) to assess likelihood of price per share increasing

3 Largest Canadian Banks

Company	Last Price	7D Return	1Y Return	Market Cap ⓘ	Analysts Target ⓘ	Valuation ⓘ	Growth ⓘ	Div Yield
 RY Royal Bank of ...	CA\$134.87	2.2%	2.7%	CA\$190.7b	CA\$139.80	PB 1.8x	E 2.4%	4.1%
 TD Toronto-Domin...	CA\$81.56	1.7%	0.8%	CA\$144.5b	CA\$87.19	PB 1.3x	E 6.8%	5.0%
 BMO Bank of Montre...	CA\$127.33	2.7%	6.4%	CA\$92.4b	CA\$132.50	PB 1.2x	E 13.7%	4.7%

3 Largest Canadian Banks

Company	Comments from Today's Meeting on Bank Stocks Reviewed
 RY Royal Bank of ...	Royal Bank of Canada was a hold. Canada's largest bank. 32% undervalued; Next year's earnings growth rate forecast at 2.4% vs last year's 3.2%; Dividend of 4.1%; Payout ratio of 50%; no risks
 TD Toronto-Domin...	TB Bank was a hold; 42.3% undervalued; earnings expected to grow by 6.8% next year; Dividend of 5%; Unstable dividend track record; Dividend yield forecast in 3Y to be 5.3%; Payout ration of 62%; concerns: class action suits / money laundering
 BMO Bank of Montre...	BMO is a buy with some reservations. 39.1% undervalued; earnings expected to grow by 13.7% next year; Reliable dividend of 4.7%; 81% payout ratio due a sharp decline in profit margins from last year; in 3 years ratio is forecast to be 50.8%.

Next Meeting

1. Will be held on April 9th at 2:00 p.m.
2. Education session will continue to review fundamental investment concepts such as What Are Stocks and How Do They Work? Beta; Enterprise Value; Dollar Cost Averaging Investing; and Drip Investing.
3. The next three largest banks will be reviewed with the option to study other bank such as Equity Bank, Canadian Western Bank; and Laurentian Bank.