

3 Reasons Why You Should Own Toronto-Dominion Bank Today

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)), the second-largest bank in Canada in terms of total assets, has watched its stock fall approximately 2.5% in 2015, but it has the potential to be one of the market's top performers over the next several years. Let's take a look at three reasons why you should consider initiating a long-term position today.

1. Consistent earnings and revenue growth

On February 26, TD Bank released very strong first-quarter earnings results, but its stock has remained relatively flat in the weeks since. Here's a breakdown of 12 of the most notable statistics from the report compared to the year-ago period:

1. Adjusted net income increased 4.9% to \$2.12 billion
2. Adjusted earnings per share increased 5.7% to \$1.12
3. Total revenues increased 4.1% to \$7.61 billion
4. Revenue increased 5.8% to \$4.9 billion in its Canadian Retail Banking segment
5. Revenue increased 7.5% to \$2.22 billion in its U.S. Retail Banking segment
6. Net interest income increased 6% to \$4.56 billion
7. Total assets increased 17.4% to \$1.08 trillion
8. Total deposits increased 19.7% to \$672.77 billion
9. Total loans managed, net of loans securitized, increased 12% to \$507.65 billion
10. Book value per share increased 17.4% to \$31.60

2. Inexpensive current and forward valuations

At current levels, TD Bank's stock trades at just 12 times fiscal 2015's estimated earnings per share of \$4.50 and only 11.2 times fiscal 2016's estimated earnings per share of \$4.82, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 13.6.

Furthermore, the company's stock trades at a mere 1.71 times its book value per share of \$31.60, which is very inexpensive compared to its market-to-book value of 1.95 at the conclusion of fiscal 2014.

I think TD Bank's stock could consistently command a fair multiple of at least 13.5, which would place its shares around \$60.75 by the conclusion of fiscal 2015 and upwards of \$65 by the conclusion of fiscal 2016, representing upside of more than 12% and 20%, respectively, from current levels.

3. A 3.8% dividend yield

TD Bank pays a quarterly dividend of \$0.51 per share, or \$2.04 per share annually, giving its stock a bountiful 3.8% yield at current levels. The company has also increased its dividend nine times since 2011, which shows that it is fully dedicated to maximizing shareholder returns, and its consistent free cash flow generation could enable another increase in the near future.

Is now the time for you to buy?

Toronto-Dominion Bank represents one of the best long-term investment opportunities in the market today. It has shown consistent growth in both earnings and revenues; its stock trades at inexpensive valuations; and it has shown a deep dedication to maximizing shareholder value through the payment of dividends. Foolish investors should take a closer look and strongly consider establishing positions today.

CATEGORY

1. Bank Stocks
2. Investing

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