



## Royal Bank of Canada or Toronto-Dominion Bank: Which Should You Buy Today?

### Description

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) are the two largest banks in Canada in terms of total assets, and both of their stocks represent very attractive long-term investment opportunities today. However, the laws of diversification state that we cannot own both, so let's take a closer look at the companies' second-quarter earnings results, their stocks' valuations, and their dividend yields to determine which represents the better buy today.

### Royal Bank of Canada

RBC's stock has fallen about 2.5% year-to-date, including a decline of over 2% since it announced its second-quarter earnings results on the morning of May 28. Here's a summary of 10 of the most notable statistics from the report compared to the year-ago period:

1. Adjusted net income increased 8.8% to a record \$2.39 billion
2. Adjusted earnings per share increased 9.5% to \$1.61, surpassing analysts' expectations of \$1.60
3. Adjusted revenue increased 5.4% to \$8.72 billion, surpassing analysts' expectations of \$8.37 billion
4. Non-interest income increased 9.2% to \$5.27 billion
5. Net interest income increased 3.1% to \$3.56 billion
6. Total assets increased 15.2% to \$1.032 trillion
7. Total deposits increased 10.3% to \$651.55 billion
8. Total loans and acceptances, net of allowance for loan losses, increased 6.6% to \$460.95 billion
9. Total assets under management increased 12.9% to \$486.3 billion
10. Book value per share increased 12.7% to \$35.91

At today's levels, RBC's stock trades at 11.8 times fiscal 2015's estimated earnings per share of \$6.63 and 11.2 times fiscal 2016's estimated earnings per share of \$6.96, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 13.6 and the industry average multiple of 13.4.

In addition, RBC pays a quarterly dividend of \$0.77 per share, or \$3.08 per share annually, giving its

stock a 3.9% yield at current levels. The company has also increased its dividend eight times in the last five years, and its financial stability could allow for another increase in the very near future.

### **Toronto-Dominion Bank**

TD Bank's stock has fallen just over 2.5% year-to-date, including a decline of about 3.5% since it announced its second-quarter earnings results on the morning of May 28. Here's a summary of 10 of the most notable statistics from the report compared to the year-ago period:

1. Adjusted net income increased 4.6% to \$2.17 billion
2. Adjusted earnings per share increased 4.6% to \$1.14, surpassing analysts' expectations of \$1.11
3. Adjusted revenue increased 4.1% to \$7.74 billion, surpassing analysts' expectations of \$7.48 billion
4. Net interest income increased 4.3% to \$4.58 billion
5. Non-interest income increased 3.9% to \$3.16 billion
6. Total assets increased 13.5% to \$1.03 trillion
7. Total deposits increased 17.4% to \$652.09 billion
8. Total loans managed, net of loans securitized, increased 11.1% to \$504.41 billion
9. Adjusted efficiency ratio expanded 200 basis points to 54.8%
10. Book value per share increased 13.9% to \$30.90

At current levels, TD Bank's stock trades at 11.9 times fiscal 2015's estimated earnings per share of \$4.55 and 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 13.7 and the industry average multiple of 13.4.

Additionally, TD Bank pays a quarterly dividend of \$0.51 per share, or \$2.04 per share annually, giving its stock a 3.8% yield at today's levels. It is also worth noting that the company has increased its dividend nine times in the last four years, and its consistent free cash flow generation could allow for another increase in the second half of this year.

### **Which bank is the better buy today?**

After comparing the companies' second-quarter earnings results, their stocks' valuations, and their dividend yields, I think Royal Bank of Canada represents the better long-term investment opportunity today. It posted stronger second-quarter results, its stock trades at more attractive forward valuations, and its stock has a higher dividend yield, making it the clear winner of this matchup. Long-term investors should take a closer look and strongly consider beginning to scale in to positions in RBC today.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

### **TICKERS GLOBAL**

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

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