



Toronto-Dominion Bank Reclaims its Title as Canada's Largest Bank: Is Now the Time to Buy?

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)), the largest bank in Canada in terms of total assets, announced third-quarter earnings results on the morning of August 27, and its stock has responded by making a slight move to the upside in the trading sessions since. Let's break down the quarterly results to determine if we should consider initiating positions today, or if we should wait for a better entry point in the trading sessions ahead.

The better-than-expected quarterly performance

Here's a summary of TD Bank's third-quarter earnings results compared with what analysts had anticipated and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	\$1.20	\$1.17	\$1.15
Revenue	\$8.01 billion	\$7.50 billion	\$7.51 billion

Source: *Financial Times*

TD Bank's adjusted earnings per share increased 4.3% and its revenue increased 6.6% compared with the third quarter of fiscal 2014. The company's strong earnings-per-share growth can be attributed to its adjusted net income increasing 5.4% to \$2.29 billion, driven by growth in all three of its major segments, including 7.9% growth to \$1.56 billion in its Canadian retail segment, 15.9% growth to \$650 million in its U.S. retail segment, and 10.6% growth to \$239 million in its wholesale banking segment.

Its strong revenue growth can be attributed to its net interest income increasing 5.9% to \$4.7 billion, led by 15.6% growth to \$1.73 billion in its U.S. retail segment, and its non-interest income increasing 7.6% to \$3.31 billion, once again led by 18.7% growth to \$647 million in its U.S. retail segment.

Here's a quick breakdown of eight other notable statistics from the report compared with the year-ago

period:

1. Total assets increased 17% to \$1.099 trillion
2. Total deposits increased 19.5% to \$685.66 billion
3. Total loans, net of allowance for loan losses, increased 13.5% to \$528.63 billion
4. Total assets under management increased 19.8% to \$345.51 billion
5. Total assets under administration increased 10.6% to \$328.6 billion
6. Total equity increased 20.5% to \$65.97 billion
7. Adjusted efficiency ratio improved 110 basis points to 53.4%
8. Book value per share increased 21% to \$33.25

TD Bank also announced that it will be maintaining its quarterly dividend of \$0.51 per share, and the next payment will come October 30 to shareholders of record at the close of business on October 6.

Should you buy or avoid TD Bank today?

It was a great quarter overall for Toronto-Dominion Bank, and the results surpassed the expectations of analysts, so I think its stock has responded correctly by moving higher. I also think this could be the start of a sustained rally much higher, because the stock still trades at very attractive valuations and because it has a high dividend yield with a reputation for increasing its payment, which will continue to make it one of the most popular stocks with income investors.

First, TD Bank's stock trades at just 11.4 times fiscal 2015's estimated earnings per share of \$4.58 and only 10.8 times fiscal 2016's estimated earnings per share of \$4.82, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13.7 and the industry average multiple of 12. It also trades at a mere 1.56 times its book value per share of \$33.25, which is very inexpensive compared with its market-to-book value of 2.07 at the conclusion of the year-ago period.

Second, TD Bank pays an annual dividend of \$2.04 per share, which gives its stock a 3.9% yield at today's levels. It has also increased its dividend for five consecutive years, and its strong operational performance could allow this streak to continue for decades.

With all of the information above in mind, I think Toronto-Dominion Bank represents one of the best long-term investment opportunities in the market. Foolish investors should take a closer look and strongly consider beginning to scale in to positions today.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

Category

1. Bank Stocks
2. Investing

Date

2025/10/01

Date Created

2015/09/10

Author

jsolitro

default watermark

default watermark