These 3 Charts Show Why Toronto-Dominion Bank Is a Perfect Dividend Stock

Description

Over the past 12 months, the Canadian banks have become much less popular with investors, and it's easy to see why. Canada's economy is under threat from falling oil prices and higher debt levels, and lending margins are being squeezed by low interest rates.

But investors are likely overreacting, and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) offers a perfect example. Despite a small rally recently, the shares have been roughly flat over the past year, even though the bank has grown earnings over this time.

But TD remains one of Canada's best dividend stocks to own. The following three charts will show you why.

1. Little exposure in Western Canada

As everyone knows, Canada's economic troubles are mainly tied to the Prairie Provinces, especially Alberta. Elsewhere, the outlook isn't so bad. Most notably, Ontario and Quebec are benefiting handsomely from low gasoline prices and the weak Canadian dollar.

This is good news for TD, whose Canadian business is heavily concentrated in Ontario. Even better, the bank has a big footprint on the East Coast of the United States, another region that benefits from low gasoline prices.

When you put it together, TD's concentration in Western Canada is easily smaller than the other Big Five banks.

Percentage of loans in Prairie Provinces: most recent available figures

Image not found or type unknown Prairies Exposure By Bank

2. A very affordable payout

If you're looking for a safe dividend, it helps to look at companies that pay relatively little of their profits to shareholders. That way, even if the bottom line takes a hit, then the dividend remains affordable.

All the Big Five banks score well in this category, with payout ratios typically ranging from 45-50%. The following chart shows how this compares with some popular dividend stocks in other industries.

Current dividend, percentage of last four quarters' EPS

Payout Ratios, Select Companies

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3. A great track record

No Canadian bank has cut its dividend since World War II, and this is quite impressive when you think about what has happened since then. We've seen wars, recessions, see-sawing commodity prices, and the worst financial crisis in more than 70 years. Yet the banks have held their dividends intact.

TD's dividend has been particularly consistent. Since 1970, it has raised its payout over 60 times without cutting it once. The chart below shows the company's last 20 dividend payments. The gradually upward-sloping line should be very appealing to dividend investors.

TD's last 20 dividends

TD's Last 20 Dividends

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