



Toronto-Dominion Bank Easily Beats Q2 Estimates: Should You Buy Now?

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)), the second-largest bank in Canada in terms of total assets, announced second-quarter earnings results this morning that easily beat analysts' expectations, and its stock has responded accordingly by moving higher. Let's break down the results and the fundamentals of its stock to determine if it could continue higher from here and if we should be long-term buyers today.

+5% growth on both the top and bottom lines

Here's a summary of Toronto-Dominion's second-quarter earnings results compared with what analysts had expected and its results in the same period a year ago.

Metric	Q2 2016 Actual	Q2 2016 Expected	Q2 2015 Actual
Adjusted Diluted Earnings Per Share	\$1.20	\$1.16	\$1.14
Revenue	\$8.26 billion	\$7.98 billion	\$7.76 billion

Source: *Financial Times*

Toronto-Dominion's adjusted diluted earnings per share increased 5.3% and its revenue increased 6.4% compared with the second quarter of fiscal 2015.

Its strong earnings-per-share growth can be attributed to its adjusted net income increasing 5.2% to \$2.28 billion, driven by growth in its two largest operating segments, including 1.9% growth to \$1.46 billion in its Canadian Retail segment and 14.9% growth to \$719 million in its U.S. Retail segment.

Its very strong revenue growth can be attributed to its net interest income increasing 6.6% to \$4.88 billion, led by 14.6% growth to \$1.74 billion in its U.S. Retail segment, and its non-interest income increasing 6.3% to \$3.38 billion, led by 63% growth to \$326 million in its Wholesale Banking segment.

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

period:

1. Total assets increased 9.1% to \$1.12 trillion
2. Total deposits increased 9.6% to \$714.53 billion
3. Total loans, net of allowance for loan losses, increased 9.5% to \$553.36 billion
4. Total assets under management increased 3.5% to \$343.55 billion
5. Total assets under administration increased 3.4% to \$336.33 billion
6. Total equity increased 10.1% to \$67.8 billion
7. Book value per share increased 9.7% to \$33.89
8. Adjusted efficiency ratio remained unchanged at 54.8%

Toronto-Dominion also announced that it would be maintaining its quarterly dividend of \$0.55 per share, and the next payment will come on July 31 to shareholders of record at the close of business on July 8.

Should you buy Toronto-Dominion Bank today?

It was a phenomenal quarter overall for Toronto-Dominion Bank, and the results surpassed analysts' expectations, so I think the market has reacted correctly by sending its shares higher. I also think this is only the beginning of a sustained rally higher and that the stock represents an attractive long-term investment opportunity today for two primary reasons.

First, its stock is undervalued. Toronto-Dominion's stock still trades at just 12 times fiscal 2016's estimated earnings per share of \$4.79 and only 11.4 times fiscal 2017's estimated earnings per share of \$5.07, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 13.4, its five-year average multiple of 12.9, and the industry average multiple of 13.4. These multiples are also inexpensive given its estimated 7.6% long-term earnings growth rate.

Second, it has a great dividend. Toronto-Dominion pays an annual dividend of \$2.20 per share, which gives its stock a high and safe yield of about 3.8%. Investors must also note that the company has raised its annual dividend payment for five consecutive years, and its 7.8% hike in February has it on pace for 2016 to mark the sixth consecutive year with an increase.

With all of the information provided above in mind, I think Toronto-Dominion Bank is a strong buy. All Foolish investors should strongly consider beginning to scale in to long-term positions today.

CATEGORY

1. Bank Stocks
2. Investing

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