

## Is Toronto-Dominion Bank a Buy After Earnings?

### Description

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is one of Canada's Big Five and is considered one of the best bank investments. TD followed other banks and reported its third-quarter earnings yesterday. For the most part, it was a bright and shining quarter, reminding investors why they trust their money with the bank.

Revenue for the company was up to \$8.7 billion from \$8 billion year over year. This beat analyst expectations of \$8.08 billion in revenue. Its adjusted net income was \$2.42 billion, or \$1.27 a share. Analysts had been expecting the bank to have adjusted net earnings of \$1.21 per share. In both instances, TD was able to smash analyst expectations, which is great news. Part of the reason earnings were up was because net interest income grew by 4.8% and fee-based income increased by a whopping 14%.

On the Canadian retail side, net income was down to \$1.5 billion from \$1.6 billion year over year. Yet revenue grew by 3% in that same period. The bank explained that there were higher insurance claims due to the Fort McMurray wildfire and a higher effective tax rate.

Its U.S. retail division, however, absolutely killed it. It had net income of \$788 million, up from \$674 million. Of that \$788 million, \$663 million came from the retail bank operations, which is up 14%. Its investment in TD Ameritrade, the trading application, generated \$125 million in earnings—up 36% year over year. The United States is providing so much for the company.

And finally, its wholesale banking division saw a 26% increase in net income to \$302 million. This is because of higher originations in the debt and equity capital markets, plus more corporate lending and trading-related revenue.

The only bad news is that loan-loss provisions were \$556 million, which is up from \$437 million year over year. This is the money the bank sets aside to cover soured loans. The good news is that it was \$584 million last quarter, so the bank is reducing the amount it has set aside. Further, oil and gas loans only account for 1% of the bank's loan book, so I'm not worried about it having an impact on the bank.

The bank also reaffirmed the \$0.55 per share dividend, which is unchanged from last quarter. However, at the beginning of the year the bank increased the yield by 8%, so it is in the business of distributing more cash to investors when it can. My belief is that the bank will increase the dividend either at the end of this year or the beginning of next year if earnings continue to increase like they did.

So, you have to ask yourself whether to buy or sell TD.

Because of its growth in earnings, I believe selling would be a bad idea. Current investors can feel comfortable knowing the 3.82% yield is more than secure. From a cost-per-share perspective, it is the most expensive of the Big Five, trading at 12.98 trailing earnings.

However, trying to time the market is tricky and you run the risk of missing out on \$0.55 per share;

therefore, I believe owning shares of TD is a smart move. Earning predictable quarterly income that, should you choose, can be reinvested into the business is a great way to build a strong portfolio.

### **CATEGORY**

1. Bank Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

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

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