Should You Put Your Money in Royal Bank of Canada or in Toronto-Dominion Bank?

Description

Royal Bank of Canada (TSX:RY)(NYSE:RY) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) are the two largest banks in Canada, the first being the biggest one.

These banks are both very solid financially, but is one of them a better investment? A look at their latest financial results will give us a better idea.

Toronto-Dominion Bank

TD Bank released its 2017 second-quarter results on May 25, which were ahead of market expectations due to a strong performance in its retail and investment banking businesses.

TD Bank had revenue of $8.47 billion during the quarter. This is a rise of 2.6% compared to the revenue of $8.26 billion earned during the same quarter last year.

Net income rose to $2.5 billion in the quarter — up 21.95% from $2.05 billion in the previous year.

It reported adjusted EPS of $1.34, beating by $0.10 analysts' estimate of $1.24. This is a rise of 16.67% from the adjusted EPS that the firm posted for the same quarter in 2016, which was $1.20.

On average, equities research analysts expect that the bank will post EPS of $5.37 for the current year.

TD Bank also declared a quarterly dividend of $0.60 per share that will be payable on July 31. This represents a $2.40 dividend on an annualized basis and a dividend yield of 3.68%. The bank payout ratio is presently 44.4%. The last dividend increase was at the end of 2016 when TD Bank rised its dividend by 10% from $0.55 per share.

TD Bank has a net profit margin of 26.42% and a return on equity of 14.15%.

The stock has a market cap of $120.6 billion, a P/E ratio of 12.9, and a beta of 0.67.

The average 12-month price target among analysts covering TD Bank’s stock is $69.

Royal Bank of Canada

RBC issued its 2017 second-quarter results on May 25, which beat market forecasts, helped by a strong performance in its capital markets and wealth management businesses.

RBC had revenue of $10.31 billion during the quarter. This is a rise of 8.2% compared to the revenue of $9.53 billion earned during the same quarter last year.

Net income rose to $2.81 billion in the quarter — up 9.34% from $2.57 billion in the previous year.

The financial services provider reported adjusted EPS of $1.85, beating by $0.05 analysts estimate of $1.80. This is a rise of 11.45% from the adjusted EPS that the firm posted for the same quarter in 2016, which was $1.66.

On average, equities research analysts expect that the bank will post EPS of $7.46 for the current year.

RBC also declared a quarterly dividend of $0.87 per share that will be payable on August 24. This represents a $3.48 dividend on an annualized basis and a dividend yield of 3.66%. The bank payout ratio is presently 45.4%. The last dividend increase was at the end of 2016 when RBC rised its dividend by 4.8% from $0.83 per share.

RBC has a net profit margin of 28.63% and a return on equity of 17.24%.

The stock has a market cap of $138.6 billion, a P/E ratio of 12.9, and a beta of 0.96.

The average 12-month price target among analysts covering RBC’s stock is $99.

After having compared the two big banks, I would say that TD Bank is the winner. Its revenue hasn’t risen has much has RBC’s revenue, but it was able to raise its net income and EPS by much more, which suggests more efficient financial management. TD Bank also increased its dividend more than RBC.

Nevertheless, RBC’s stock is also a great investment. You’re not taking much risk by investing in a big bank. Big banks pay high dividends, and their share prices rise consistently over the long term. However, if you’re looking for more growth, I would say TD Bank is the best choice at the moment.

CATEGORY

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