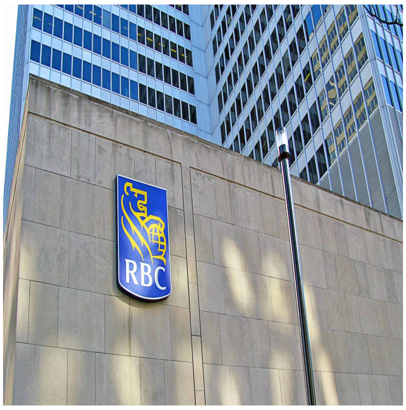

Why Royal Bank of Canada Is up Over 1%

Description

Royal Bank of Canada (TSX:RY)(NYSE:RY), Canada's largest bank, announced its third-quarter earnings results and a dividend increase this morning, and its stock has responded by rising over 1% in early trading. Let's take a closer look at the quarterly results, the dividend increase, and the fundamentals of its stock to determine if we should be long-term buyers today.

Breaking down the Q3 results

Here's a quick breakdown of 10 of the most notable financial statistics from RBC's three-month period ended on July 31, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Adjusted revenue	$9,986 million	$9,968 million	0.2%
Adjusted net income	$2,796 million	$2,660	5.1%
Adjusted diluted earnings per share (EPS)	$1.85	$1.72	7.6%
Total assets	$1,201.05 billion	$1,198.88 billion	0.2%
Total deposits	$778.62 billion	$754.42 billion	3.2%
Total loans, net of allowance for loan losses	$534.03 billion	$515.82 billion	3.5%
Total assets under management	$601.20 billion	$575.00 billion	4.6%
Book value per share	$44.93	$42.15	6.6%
Adjusted efficiency ratio	53.2%	54.0%	(80 basis points)
Adjusted return on equity (ROE)	16.3%	16.1%	20 basis points

Dividend increase? Yes, please!

In the press release, RBC announced a 4.6% increase to its quarterly dividend to $0.91 per share, which equates to $3.64 per share annually. The first payment at this increased rate is payable on and after November 24 to shareholders of record at the close of business on October 26.

What should you do with RBC's stock now?

It was a great quarter overall for RBC, and it posted fantastic numbers in the first nine months of 2017, with its adjusted net income up 9.6% to $8.42 billion, and its adjusted diluted EPS up 11.3% to $5.53. With these strong results and the dividend hike in mind, I think the market has responded correctly by sending its stock higher, and I think it represents a very attractive long-term investment opportunity right now for two fundamental reasons.

First, it's undervalued. RBC's stock currently trades at just 12.5 times fiscal 2017's estimated EPS of $7.48 and only 11.9 times fiscal 2018's estimated EPS of $7.87, both of which are inexpensive given its current earnings-growth rate and its estimated 6.7% long-term earnings-growth rate.

Second, it has one of the best dividends around. RBC now pays an annual dividend of $3.64 per share, which brings its yield up to about 3.9%. It's also important to note that the company's recent dividend hikes have it on pace for 2017 to mark the seventh consecutive year in which it has raised its annual dividend payment, and it has a target dividend-payout range of 40-50% of its adjusted net income, so its very strong growth should allow this streak to continue for many years to come.

With all of the information provided above in mind, I think all Foolish investors should strongly consider making RBC a core holding today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks

3. Investing

Date
2025/09/12
Date Created
2017/08/23
Author
jsolitro