



Why Toronto-Dominion Bank Is up Over 2%

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)), Canada's largest bank as measured by assets, announced its third-quarter earnings results before the market opened this morning, and its stock has responded by rising over 2% in early trading. Let's break down the quarterly results and the fundamentals of its stock to determine if the rally can continue and if we should be long-term buyers today.

A very strong quarterly performance

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

Metric	Q3 2017	Q3 2016	Change
Net interest income	\$5,267 million	\$4,924 million	7.0%
Non-interest income	\$4,019 million	\$3,777 million	6.4%
Total revenue	\$9,286 million	\$8,701 million	6.7%
Adjusted net income	\$2,865 million	\$2,416 million	18.6%
Adjusted diluted earnings per share (EPS)	\$1.51	\$1.27	18.9%
Total assets	\$1,202.4 billion	\$1,182.4 billion	1.7%
Total deposits	\$773.9 billion	\$757.9 billion	2.1%
Total loans, net of allowance for loan losses	\$592.4 billion	\$571.6 billion	3.6%
Total equity	\$73.5 billion	\$71.2 billion	3.2%
Book value per share	\$36.32	\$35.68	1.8%

What should you do with the stock now?

It was a phenomenal quarter overall for TD Bank, and it posted a very strong performance in the first nine months of fiscal 2017, with its revenues up 5.1% to \$26.88 billion, its adjusted net income up 15% to \$7.98 billion, and its adjusted diluted EPS up 14.8% to \$4.18. The second-quarter results also crushed the consensus estimates of analysts polled by **Thomson Reuters**, which called for adjusted diluted EPS of \$1.36 on revenue of \$8.74 billion.

With all of this being said, I think the post-earnings pop in TD Bank's stock is warranted, and I think it still represents a great investment opportunity for the long term for two fundamental reasons.

First, it's still undervalued. Toronto-Dominion's stock still trades at just 12.4 times fiscal 2017's estimated adjusted EPS of \$5.37 and only 11.7 times fiscal 2018's estimated adjusted EPS of \$5.71, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13.1. These multiples are also inexpensive given its current earnings-growth rate and its estimated 7.9% long-term earnings-growth rate.

Second, it has a fantastic dividend. TD Bank currently pays a quarterly dividend of \$0.60 per share, equal to \$2.40 per share annually, which gives it a generous 3.6% yield. Investors must also note that its recent dividend hikes, including its 9.1% hike in March, have positioned it 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 I think its continually strong growth will allow this streak to continue for the foreseeable future.

With all of the information provided above in mind, I think all Foolish investors should strongly consider initiating long-term positions in TD Bank today with the intention of adding to those positions on any significant pullback in the future.

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