

This Surprising Bank Stock Has Outperformed Toronto-Dominion Bank in the Past 12 Months

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is not only one of the top bank stocks on the TSX, but it's also one of the best buys on the market, period. The bank has shown strong growth in its [last quarter](#) and over the years it has done very well, with its stock has rising more than 80% over the past five years.

However, in the past year, TD Bank has been lagging behind one bank stock – and it might not be the one you'd expect. In the past 12 months, TD's stock has risen more than 18%, but that is short of the returns achieved by **National Bank of Canada** ([TSX:NA](#)), which has been up around 20% over the same period. While National Bank has done a bit better over the past year, it's certainly no guarantee that it will continue to outperform TD Bank.

If we look at the past five years, National Bank's 64% returns fall well short of TD's impressive run during that time.

However, the past is the past, so let's take a closer look at which stock might be the better buy today.

Which bank has stronger financials?

In its most recent quarter, National Bank's net revenue grew by 11% while profits also rose by more than 10%. If we look at a longer time frame, National Bank's net revenues have climbed more than 27% since 2013 and the company has seen its top line grow for four straight years.

At the other end, TD's net revenues of \$9.3 billion last quarter increased by just 3%, while profits were down from a year ago. However, over the past four years, net revenues have climbed 33%.

A quick glance at the income statement shows us why National Bank's stock has been doing so well; one of the benefits of being much smaller is that it's much easier to grow sales.

Which stock has the better dividend?

Bank stocks are designed to be long-term holds, which is why looking at dividends is also important, because that will have a big impact on your returns. Currently, TD pays shareholders a dividend of 3.6%; the company has a strong reputation for growing its payouts as well. In five years, dividend payments have grown by 65%, averaging a compounded annual growth rate (CAGR) of 11% during the period.

National Bank has a slightly higher dividend that yields its investors returns of 3.8% per year, and it too has hiked its payments over the years. However, dividends have risen just 38% over five years, and while its CAGR of 7% is high, it is well shy of TD's impressive growth.

Which is the better value?

Currently, TD trades at a multiple of 14 times its earnings and more than twice its book value. Meanwhile, National Bank is more modestly valued at only 11 times its earnings and is also around two times its book value. TD's diversification and size warrants more of a premium than National Bank, although both stocks are trading near their 52-week highs.

Bottom line

If you had to pick one stock to buy, then I would go with TD. While National Bank has outperformed TD in the past year, the gap has been shrinking in recent months, and it's [not likely](#) that this trend will continue for much longer.

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Author

djagielski

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