Toronto-Dominion Bank (TSX:TD) Is Canada's Top Banking Stock

Description

Canada's Big Five banking stocks tend to move in tandem. Each bank takes its turn leading the group and, conversely, each will have their moments where they trail the group's returns. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), however, rarely trails and often leads the pack. It is for this reason that Toronto-Dominion is Canada's top pick in the banking sector.

You can't argue with the company's performance. Year to date, Toronto-Dominion's share price has climbed 7.60%, which leads its peers and is significantly above the group's 3.2% average. It also leads the pack when you look at two-year, three-year, and 10-year charts. Its 10-year compound annual growth rate (CAGR) of 15.5% is more than double that of industry laggards **Canadian Imperial Bank of Commerce** and **Bank of Nova Scotia**.

If you are worried about the company's higher price-to-earnings ratio as compared to the industry, don't be. It has consistently demanded a premium from the market, and its historical performance backs it up. On Thursday, the company posted third-quarter earnings. Let's take a look at how they fared.

Beat estimates

Three of the four Big Five banks that previously reported earnings beat estimates — the exception being Bank of Nova Scotia. Toronto-Dominion didn't disappoint, beating on both the top and bottom lines. Earnings per share (EPS) of $1.66 beat by $0.03 and quarterly revenues of $9.89 billion beat by $690 million.

The beats represented EPS growth of 10% year over year (YOY) and revenue growth of 7.5%.

The company's U.S. operations continue to be a bright spot for the company. Its U.S. Retail segment posted record results, as net income grew by 29% over the third quarter of 2017. TD Ameritrade continued to lead the segment and accounted for approximately 20% of U.S. retail operations. Toronto-Dominion owns a 40% stake in publicly traded **TD Ameritrade Holdings Inc.**

Not to be left out, Canadian retail operations also performed well. The segment's net income grew by 7% YOY on the back of 9% revenue growth.

There wasn't anything not to like about the bank's third-quarter results. It simply continues to deliver.

Rising dividend

Toronto-Dominion is the only one of its peers not to adopt a twice-yearly dividend-growth pattern. However, don't let that distract you. Toronto-Dominion is a Canadian Dividend Aristocrat, having raised dividends for seven consecutive years. Oh, and it has the best dividend-growth rate among the group. Its one-year, three-year, and five-year dividend-growth rates all hover around 10%. The best part? It has the lowest payout ratio of the group.

Toronto-Dominion is currently trading near 52-week highs, and that's just fine. Of the 15 analysts covering the company, 10 rate the company a buy and expect it to grow earnings by 13% over the next few years. This isn't a stock you trade. You buy and rest easy knowing it will provide consistent and reliable returns for years to come.

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Date
2025/08/24
Date Created
2018/08/30
Author
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