



Why Toronto-Dominion Bank (TSX:TD) Is a Great Way to Gain Exposure to the Canadian Economy

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is one the largest banks in North America, with more than 2,400 locations. It operates 1,100 branches across Canada, as well as 1,240 stores in the eastern United States. TD operates in two of the top 10 largest economies in the world. It is the second-largest bank in Canada, with 21% market share. It's also the sixth-largest bank in United States by deposits.

TD is a popular bank among investors worldwide because of its high-efficiency operations and because it's a Canadian bank. Canadian banks have earned a high degree of respect from investors worldwide for their safety and stability. The World Economic Forum has ranked Canadian banks among the safest in the world for the past 10 years due to tight regulations and high capital requirements.

Retail banking

The majority of business [TD](#) does is in retail banking, both in Canada and in the United States. Retail banking consists of personal banking, credit cards, retail investing services, wealth management, asset management, insurance services, small business banking, commercial banking, and more.

The Canadian retail segment is a huge part of TD's business, accounting for over 50% of total earnings. Credit cards have been one of the biggest sources of revenue for TD, and it continues to be a target for growth. TD boasts it is the number one credit card issuer in Canada, measured by outstanding credit card balances.

It's also the largest money manager in Canada with its recent acquisition of Greystone Managed Investments. TD is ranked first or second in market share for most Canadian retail products. It is able to offer better service and differentiate from competitors by offering higher convenience with longer branch hours.

The U.S. retail segment is also a large part of overall earnings. The U.S business has been an

important part of TD's overall growth because it's growing much faster than the Canadian retail segment. TD in the U.S. operates in four of the top 10 metropolitan areas and seven out of the top 10 wealthiest states. The exposure to better demographics provides TD with lots of opportunities to grow in the future.

TD Ameritrade is also a big earner for TD's U.S. operations; it's the leading brokerage firm in the U.S. Currently, TD Ameritrade has over 11 million client accounts totaling over \$1.2 trillion in assets.

Online banking

In the past few years, TD has been making a big push to improve its online and mobile banking to give its customers the most digital banking options. TD's push to online banking has been impressive. In the last few years, it has been able to grow its active digital users to over 12.9 million people.

It also launched a new AI-powered bot to help with customer service. Furthermore, it continues to update and roll out new features for the TD app and new features for customers on its website. This allows customers to do more banking with more convenience.

Wholesale banking

Wholesale banking is generally a small portion of business, and regularly contributes less than 10% of TD's total earnings. Nonetheless, TD still has a solid wholesale banking brand. It is ranked the top securities dealer in Canada and is first or second in numerous statistics regarding investment dealers.

The case for an investment

TD's adjusted earnings have a five-year compound annual growth rate (CAGR) of 11.3%. Adjusted earnings per share have also grown exceptionally well with a five-year CAGR of 11.8%. Dividend growth has also been strong; over the last 20 years, the dividend has increased at an annualized rate of 11%.

The dividend currently yields 3.6% — a 44% payout ratio. This is right in middle of TD's target payout ratio 40-50%, meaning continued earnings growth will result in continued dividend increases. The performance has been extremely strong since the last recession and has rewarded investors that have held it for the long term.

TD stock continues to be one of the best ways to invest in the growth of the Canadian economy. Although the stock generally tracks the market when the market performs poorly, it outperforms the market in the good times. This is highlighted by TD outperforming the TSX the last 10 years by more than a three times multiple.

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