3 Reasons to Buy Toronto-Dominion Bank (TSX:TD) Stock

Description

Toronto–Dominion Bank (TSX:TD)(NYSE:TD) recently reported its second-quarter earnings. The financial institution posted strong results, with notable increases in its revenues, net income, earnings per share, among other figures. There are many reasons why one might want to invest in TD Bank. Let's look at three such reasons.

Strong U.S operations

While all of the largest Canadian banks derive some percentage of their earnings from their operations south of the border, none have as strong a foothold in the U.S as TD Bank does. In addition to having more branches on U.S territory than any of its Canadian bank counterparts (over 1,250 branches which serve over eight million customers), the firm owns about 42% of the Nebraska-based TD Ameritrade Holdings. TD Bank generates more than 80% of its revenues from North America.

As a result, the firm has less exposure to more volatile markets (such as the Caribbean) as some of its competitors, which adds up to less risk. Further, TD Bank has been benefiting — as many other corporations in the U.S have — of favourable tax laws. TD Bank's performance in the U.S has been improving. Since 2016, the firm's revenues have increased by 15%, while its net income have soared by about 41%.

Attractive valuation

One of the most important principles by which Warren Buffet — one of the greatest contemporary investors — swears by is to purchase stocks at attractive valuations. Stocks with low price-to-earnings (P/E) ratios tend to have better price appreciation prospects than those with higher P/Es, all other things remaining equal. TD Bank is currently trading at 12.47 past and 10.21 future earnings, which are very attractive figures. Of course, a low P/E ratio isn't everything, not by any stretch of the imagination. However, it is something to consider.

Strong dividends

TD Bank is also an excellent option for income-oriented investors. The Toronto-based financial company has raised its quarterly dividend payouts by about 57% over the past five years, which averages out to more than 11% annual increases. TD Bank currently offers investors a dividend yield of about 3.8% and a conservative payout ratio of about 44%.

Detractors might point out that bank stocks are sensitive to economic conditions. With worries of a recession growing — so the argument goes — it might be risky to invest in bank stocks, many of which might shed a significant percentage of their share value (much more so than stocks in other sectors) during economic downturns, slashing their dividends in the process. However, the banking industry was strengthened after the recession of the late 2000s. Even if a recession does happen, multinational banks are likely better equipped to handle it.

Why you should buy

TD Bank has some of the strongest domestic operations among Canadian banks. The firm holds the first or the second spot when it comes to the most important banking categories in the Canadian markets, including deposits and retail banking revenues. In short, the firm is well positioned in both Canada and the U.S. With TD Bank stock currently trading at a discount while offering solid dividend payments with strong growth prospects, it is undoubtedly one of the best bank stocks on the TSX.

CATEGORY

1. Bank Stocks
2. Investing
3. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Investing
3. Top TSX Stocks

Date
2025/08/26

Date Created
2019/06/01
Author
pbakiny