



## TFSA Investors: This Banking Stock Has Significant Upside Potential

### Description

One of Canada's leading banks, **The Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) has been an investor favorite for a while. TD ticks off most boxes. It is a company with steady revenue and earnings growth, high dividend yield and a widening base of customers.

TD shares have risen by 30% in the last five years. While these returns are far from impressive, investors continue to bet on the company due to its solid fundamentals.

### Strong revenue and earnings growth

A company's stock price is highly dependent on its revenue and earnings growth. While the company's revenue has been flat between 2017 and 2018, TD is slated for solid growth going forward. Sales were \$34.3 billion in 2016, \$36.14 billion in 2017 and \$36.65 billion in 2018.

Analysts now estimate sales to rise by 5.5% to \$38.66 billion in 2019, 4.7% to \$40.47 billion in 2020 and 3.6% to \$41.92 billion in 2021. Its earnings growth is expected to be far more impressive. Analysts expect earnings per share (EPS) to grow by 6% to \$6.86 in 2019 and 7% to \$7.34 in 2020. They estimate EPS growth of 7.7% in the next five years.

TD pays an annual dividend of \$2.75 per share. This amounts to a healthy dividend yield of 3.7%. It has increased dividend payments at an annual rate of 11% in the last 20 years. TD is trading at a forward price-to-earnings (P/E) multiple of 10, which indicates that the stock is undervalued considering its long-term earnings growth and dividend yield.

### Upcoming results remain critical for TD

TD Bank is scheduled to announce its fiscal third quarter of 2019 (year ending in October) results on August 29. Analysts expect TD to post revenue of \$9.84 billion and EPS of \$1.79 in the quarter ended in July.

TD's U.S. retail business is a key revenue driver. This [segment grew sales by](#) 29% in the second quarter. The U.S. retail market is larger compared to the domestic Canadian market. TD is the eighth largest bank in the U.S. and has enough room for sustainable growth. The company has so far focused on targeting markets in the East Coast of the U.S. It has an opportunity to expand operations in the West Coast of the country.

This growth will be offset by its Wholesale Banking segment, which has experienced tepid growth in the last few quarters. TD's Wholesale Banking business segment was also impacted by a bearish trading month in May 2019.

## Strong fundamentals

TD Bank is a Canadian heavyweight with a market cap of \$134 billion. It has a cash balance of \$358.29 billion and total debt of \$226.8 billion, indicating sufficient reserves. It is the sixth-largest North American company in terms of market cap and total assets. It has offices in 15 countries and in excess of 2,300 bank branches.

[Though the bank is relatively conservative](#), this transfers into less risk and a high credit rating. TD Bank was one of the few banks to come out of the 2008 financial crisis virtually without any major concerns.

Analysts remain optimistic about TD. They have a 12-month average target price of \$83.93 on the stock. This indicates an upside potential of 15% from the current price. TD Bank is one stock that investors will want to hold for the long term!

### CATEGORY

1. Bank Stocks
2. Investing

### 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

### Date

2025/09/29

### Date Created

2019/08/16

**Author**  
araghunath

default watermark

default watermark