This Bank Has Immense Growth Potential

Description

Canada's Big Banks are often regarded as some of the best and safest investment options. One of the main reasons for that stereotype comes down to the immense growth opportunity the banks have. In short, Canada's highly regulated banking system provides a base for growth, while a presence in foreign markets provides an avenue for immense growth potential.

Let's take a moment to talk a bit about one of those banks, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD).

Meet the bank with an immense growth opportunity

Going back a bit over a decade, TD had a tiny presence in the U.S. market. During the Great Recession, that all changed, however. TD brilliantly acquired several banks in quick succession and rebranded those branches under a single name. Once those branches were stitched together, TD emerged as a heavyweight in the lucrative U.S. market.

TD's branch network in the U.S. now has over 1,000 locations, stretching from Maine to Florida on the east coast. That also makes TD one of the largest banks in the U.S. market, where loan deposits are considerably higher than here in Canada. It's no coincidence that TD now has more branches in the U.S. than it has in Canada.

While TD's venture into the U.S. is not without risk, it does diversify TD's revenue stream nicely so it is not overly reliant on the smaller, more regulated market at home. That diversification also sets up significant growth potential.

In terms of results, during the first quarter of fiscal 2020, TD reported diluted earnings per share of $1.61 with net income coming in at $2,982 million — a notable increase over the $2,410 million, or $1.27 per share earned in the same period last year. Of those results, the U.S. segment earned $1,146 million.

TD is set to report on the second fiscal of 2020 later this month. This is significant because this period will showcase the impact of the beginning of the pandemic on TD's bottom line. Many analysts expect that Q2 earnings will see a noted drop, fuelled by credit losses stemming from the pandemic.

Still, investors should keep focused on the longer-term and that immense growth potential.

Why you should consider TD now

This is an unprecedented time. In addition to the millions of jobs lost in this pandemic already, fiscal pundits are raising flags that deficits will likely wreak havoc on the economy for years. In other words, we can expect a drawn-out recession to hit (if it isn't already here).

As at the time of writing, TD's stock has dropped over 28% year-to-date, or nearly double what the market has dropped, which makes TD an appealing option for long-term investors looking to buy on the low. By example, the last time TD traded at these levels was well over four years ago.

Apart from the current valuation, TD has an impeccable reputation when it comes to weathering crises. As I mentioned above, the bank emerged from the Great Recession with impressive acquisitions. Looking further back, TD has survived every financial crisis going back over a century, and never slashed its dividend.

That quarterly dividend — which currently works out to a solid 5.72% yield — is both stable and continues to see annual upticks.

Long-term investors can buy TD at a steep discount today — and line up that immense growth potential while the market moves toward recovery.

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