Toronto-Dominion Bank (TSX:TD) Stock: Grab the 4.4% Yield Now

Description

The Toronto-Dominion Bank (TSX:TD)(NYSE:TD) stock is a high yield play with a sustainable dividend that all income investors should consider. Sporting a 4.4% yield and admirable earnings growth, it's perfectly positioned to thrive in the years ahead.

In its most recent quarter, the bank delivered a stunning earnings beat. As a result, the stock is close to erasing all of its COVID-19 losses. In this article, I'll make the case that you should buy TD stock if you like high yield and dividend growth.

A massive Q4 earnings beat

In the fourth quarter, TD utterly destroyed earnings estimates, with GAAP net income up a whopping 80% year over year. That was mainly due to a one time $2.3 billion gain on the sale of **TD Ameritrade** to **Charles Schwab** (NYSE:SCHW). That's of course a one-time, non-recurring factor that won't influence future results.

But even without the gain on the sale, TD posted positive earnings growth, with adjusted EPS up 1% year over year, which is in itself is encouraging, because it shows that TD Bank is beginning to erase its COVID-19 damage.

A partner in the world's largest brokerage

Another thing to consider about TD Bank's Charles Schwab deal is its contribution to future earnings. Charles Schwab is the world's largest brokerage company, and TD now owns a 13.5% stake in it, which means that Charles Schwab's earnings will now contribute to TD's own earnings and pay out a dividend that boosts cash flow.

Of course, TD had plenty of earnings and dividends coming from TD Ameritrade itself. But the Schwab-Ameritrade deal created a titan of a company with lots of synergies perfectly positioned to gobble up market share in the no-fee trading world. TD Ameritrade on its own was not well positioned for no-fee trading

, so the buyout by Charles Schwab was a win for TD Bank.

Foolish takeaway

Over the years, TD Bank has been a champion dividend stock that has rewarded investors handsomely. Heading into 2021, that looks ready to continue.

Already, TD Bank is beginning to reverse the damage it took from COVID-19. As well, it's now got a massive ownership stake in the world's largest brokerage firm.

For years, the main investment thesis for buying TD over any other Canadian bank was its growth potential in the United States.

Now, thanks to the Schwab deal, that thesis has been strengthened. While TD's core U.S. retail operations will face margin compression from low interest rates, its brokerage investments look set to thrive.

All of this points to a very safe 4.4% yield if you buy TD Bank shares today. TD has a low payout ratio and plenty of potential for earnings growth going forward. The dividend will only going to increase from this point onward.

The lesson? If you're hungry for yield, grab the 4.4% on offer from TD Bank today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/07
Date Created
2020/12/10
Author
andrewbutton