



Toronto-Dominion Bank (TSX:TD) Stock: Buy it Before it Dominates the U.S.

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is the Canadian bank best positioned to thrive in the massive U.S. financial services market. With a huge U.S. retail business and a 13.5% stake in **Charles Schwab** ([NYSE:SCHW](#)) — the world's largest brokerage — it's already a huge player in the States. TD's massive U.S. presence gives it growth potential that its Big Six banking peers lack. Best of all, you can buy the stock very cheap today.

A lucrative deal

One of the best things TD has going for it right now is its part ownership in Charles Schwab. SCHW is a market dominant brokerage company that is perfectly positioned for the low-fee trading world. TD Bank recently sold TD Ameritrade to Schwab in a deal that netted it \$2.3 billion.

It was a brilliant move. First, the sale generated profit for TD right up front, leading to an [80% earnings spike](#) in the fourth quarter. Second, TD is now a joint owner in Charles Schwab, which is in better shape than TD Ameritrade was.

Unlike Charles Schwab and some other brokers, TD Ameritrade was never well positioned for no-fee trading. Its stock tanked on news that most U.S. brokerages were going fee-less. If TD had to turn Ameritrade into a no-fee broker overnight, it would have caused a massive organizational upheaval. Now, with a stake in Charles Schwab, the bank is partnered with a broker that already has expertise in making no-fee trading work.

TD's recent results

TD's [recent results](#) were very encouraging.

In the fourth quarter, GAAP income was up 80% and adjusted EPS was up 1%. The big 80% boost in GAAP earnings was because of the Schwab deal. The adjusted figure is the one you want to look at to see how the bank would have done without that one-time factor in the picture.

1% earnings growth is actually pretty good for a bank in the COVID-19 era. Even with the Schwab deal out of the equation, TD posted positive year-over-year growth. It was the first time the bank managed to do so since COVID-19 came on the scene earlier this year. We're already seeing TD Bank recover from the pandemic. Analysts are expecting it to continue. For example, the consensus is that the bank will post 78% year-over-year earnings growth in the second quarter.

Foolish takeaway

For over a decade, TD has been among the strongest growers of Canadian banks. Ever since entering the U.S. market in 2004, it has crushed it south of the border. This year, that growth ran into its first setback, thanks to the COVID-19 pandemic and the credit risks that came with it. But the bank is already starting walk off its COVID-19 damage. With a massive Q4 earnings beat and a successful deal with Charles Schwab, TD is ready to start climbing again.

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