



## \$10,000 Invested in TD (TSX:TD) Stock at the Start of 2020 Is Worth This Much Today

### Description

*Editor's note: A previous version of this article stated that a \$10,000 investment in TD would have grown to \$1.75 million after accounting for dividend reinvestments. The \$1.75 million figure has been corrected to \$87,000.*

Stocks in the banking sector have been under the pump this year due to the COVID-19 pandemic. As the dreaded virus spread all around the world, countries imposed economic lockdowns, which meant customer spending slumped.

As businesses were shut, unemployment rates surged higher, increasing the risk of mortgage and corporate defaults. To combat a tepid demand environment, federal banks cut interest rates which negatively impacted the profit margins of banks, resulting in a massive sell-off.

Shares of Canada's banking giant **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) are trading at \$71.88, which means it has lost 3.3% year to date. So, a \$10,000 investment in TD stock at the start of 2020 would have been worth \$9,673 today. After accounting for dividends, the returns would be close to breaking even.

### TD Bank beat analyst estimates in Q4

In the fiscal fourth quarter of 2020., TD Bank reported a net profit of \$5.1 billion, or diluted earnings per share of \$2.80. Its Q4 profits surged higher by 80% year over year driven by the [sale of its brokerage platform](#) — TD Ameritrade to **Charles Schwab** for a 13.5% stake in the latter.

Charles Schwab is trading at a market of US\$93 billion, indicating TD's brokerage platform was valued at US\$12.5 billion.

On an adjusted basis, TD's earnings for Q4 stood at \$3 billion, or \$1.6 per share, marginally higher compared to its prior-year figures. Analysts expected the bank to post earnings of \$1.28 per share in Q4.

Its net interest income grew 3% to \$6.4 billion in Q4, while actual interest on loans and securities fell by a significant margin year over year due to a fall in interest rates. This was offset by a reduction in expenses due to cheaper deposit costs.

TD Bank said while it set aside huge provisions for credit losses in Q2 and Q3 of fiscal 2020, these figures were normalized in Q4. Now, it has enough provisions to cover loan losses on 1.26% of total outstanding loans.

The CET1 ratio that measures a bank's core capital as a percentage of risk-weighted assets stands at a healthy 13.1% for TD. Generally, any figure higher than 10% is considered solid.

## What's next for investors?

Analysts tracking TD Bank expect sales to fall marginally lower by 0.1% to \$42.2 billion in fiscal 2021 and to rise by 0.3% to \$42.3 billion in 2022. Comparatively, its earnings are forecast to rise by 8.2% in 2021 and 11.7% in 2022.

TD stock is trading at a forward price-to-earnings multiple of 12.4, which seems attractive given its forward yield of 4.4%. Analysts have a 12-month average target price of \$76 for TD stock, indicating an upward potential of 5.13%.

After accounting for its dividend yield, we can see total returns will be closer to 10% in the next 12 months. In the last five years, TD has increased its dividend yield at [an annual rate](#) of 9.23%, while its shares have appreciated by 580% in the last two decades.

Over the course of 20 years, a \$10,000 investment would have ballooned to \$87,000 after accounting for dividend reinvestments.

### 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**

2020/12/15

**Author**

araghunath

default watermark

default watermark