



## RBC (TSX:RY) Smashes Earnings: Buy the Stock Now?

### Description

When it comes to investments, relatively few companies are a “good buy” at any given time, and it’s not about the valuation either. It’s true that to maximize your gains; you have to buy a business when it’s fairly priced or underpriced. Or, if it’s a dividend stock, you need the value to dip, so you can lock in a decent yield.

But if you look at the big picture and consider your returns years and even decades into the future, there might be stocks that have the potential to “rise above” the temporary price fluctuations, and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is one of them.

It has reigned as the most valuable security on the TSX for quite some time, and it’s still the second-largest company by market capitalization (after **Shopify**). It’s an evergreen, attractive investment, but it has become even more desirable since it posted its first-quarter earnings.

### Powerful first-quarter earnings

After a relatively slow 2020, the banking sector opened a strong 2021. **Bank of Montreal** opened the season, and now Royal Bank of Canada has entered the arena as well. The net income has increased by 10% on a year-on-year basis, and the diluted EPS has grown 11%.

The return on equity has also increased by a significant margin (18.6%) compared to both the last quarter and the first quarter of 2020.

If we consider the growth of different businesses, the capital market segment takes the lead. It saw net income growing by 21%. Wealth management saw the least amount of growth, and net income only grew by 4%. One culprit for the lower growth of this section is the lower interest rates on loans.

### The stock

The [RY stock](#) has made a full recovery over the course of 12 months, and now the bank is trading at its

pre-pandemic levels. Though the post-pandemic crash growth is an outlier to the historical growth pattern, the stock might pick up where it left off and start growing at its previous pace. The 10-year CAGR (dividend adjusted) of RY is 11%. It's sustainable, and if the bank can keep up the pace, it can be quite powerful in the course of a few decades.

Right now, RY is trading at a price to earnings of 13.6 and a price to book of 1.9 times, making it a bit overpriced compared to others in the Big Five group. But it's not a deal breaker, especially considering that you still get a decent 3.97% yield.

## Foolish takeaway

If you wanted to make a valuable investment and looking to buy something that's trading low at the moment, then RY might not be for you. But if you want to add something substantial and long-term to your portfolio that might keep growing at [a steady pace](#) for a long time, then RY might be an excellent fit for you.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

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