



Why TD Stock Remains a Strong Buy as Cash Hoard Builds

Description

Indeed, the banking sector has suffered substantial losses at the hands of this pandemic. However, as we set foot into the recovery phase, banks are recuperating their losses rapidly.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is the one of the [best examples](#) of this recovery in the banking sector today. In my view, investors who were previously thinking of selling this stock should reconsider it right now. There's plenty of upside left on the table for a continued run here — that is, as long as the current environment continues to improve, as many believe will be the case.

Here's more on why investors may want to stay invested in TD stock right now.

Strong balance sheet and growth prospects make a strong case

TD's recent earnings results highlighted the strength of this Canadian banking behemoth. The company posted an incredible second quarter, as it clocked in massive profits and improved its credit quality by a great extent. In three months, the bank recorded net income of \$3.7 billion and increased its profits by an impressive 144%. TD's adjusted per-share profit touched \$2.04, surpassing analysts' estimate of \$1.76 profit per share.

Last year, TD had booked \$3.2 billion as loan-loss provisions. In this quarter, TD announced another reversal of these provisions, freeing up \$377 million that was set aside to meet losses arising due to failed loans.

Indeed, these moves have provided investors with yet another reason to own this great high-quality stock. If the economy continues to improve, TD will likely continue to provide massive earnings beats over the near term.

Over the medium term, I expect continued innovation and M&A activity with TD. This bank has become one of the leaders in the banking sector in this regard. There are plenty of opportunities for the company to boost earnings over time. And doing so should result in dividend increases for investors, when the company is allowed to do so.

Dependable business model continues to favour investors in TD stock

The strong financials on display this past quarter are a direct result of the strength of TD's business model. The company's management team is world class. And the operational efficiencies TD has gained in recent years are starting to shine through, when compared to its peers.

I think TD's balance sheet is stronger than it has been in a long time. That says something, considering the pandemic that rocked the financial world.

With TD's focus increasingly shifting to digital services, room for further margin expansion is likely. I think TD is going to be a leader in digitization in the banking space in Canada. For long-term investors that are bullish on this trend, now may be the time to consider this stock.

Yes, TD stock has been on a nice run of late. However, it appears investors are finally valuing this company at what it's worth. Accordingly, investors may want to consider buying this stock on any dips moving forward.

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