1 Top TSX Pandemic Reopening Play to Buy Right Now

Description

As the economy continues to recover from the pandemic, investors are increasingly looking for recovery plays. Indeed, banking stocks are among the focal points of investors right now – and for good reason.

Today's economic outlook appears to be much more bullish than what was seen last year. And as banks continue to remove loan loss provisions, banks such as **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) are getting bid up to new highs.

Let's take a look at why TD bank may continue to be an outperformer this year.

Sizeable capital buffer puts TD in a comfortable position

TD's tier one capital ratio remains among the best of its Canadian banking peers. Indeed, the aforementioned removal of loan loss provisions has something to do with this. Additionally, the fact that the government has capped dividends and share buybacks have provided TD bank with a surge in cash fueling this trend.

While TD is likely to implement a dividend hike and resume share buybacks when it's allowed to, the bank's current capital position is worth considering. I expect investors will continue to price in this level of stability further into TD's price over the long term. Accordingly, this run may be far from over.

TD's current cash flow growth trajectory is fueled by solid retail banking operations in the U.S. Indeed, these operations fuel a majority of this bank's business. Accordingly, TD bank provides a level of geographic diversification other Canadian banks can't right now.

Above all, I think the concrete capital standing of TD Bank is what continues to work in its favour. It definitely offers the much-needed flexibility to the bank to make timely and strategized acquisitions to grow its operations.

Smart cash-flow management and impressive earnings

TD’s growth profile is complemented by a strong management team focused on creating efficiencies. Indeed, the company’s recent moves to digitize its business model is something I think is overlooked by the market.

TD’s focus of late has been on improving its digital offering to consumers. In doing so, the company was able to shutter 80 underperforming branches across the company. This is a great example of how TD can create long-term value for shareholders while maintaining its strong relationship with customers.

Indeed, its timely implementation of such strategies has helped the company recover most of its pandemic-induced losses in a short time. This quarter, the bank announced an impressive cash reversal as it managed to free around $377 million to account for failed loans.

Similarly, its quarter two earnings look too good to ignore. For instance, in the last 3 months, TD recorded $3.7 billion as its net income. It also reported a surge of 144% in its profits, while its adjusted profit per share exceeded analysts’ estimates of $1.76 profit p/s at $2.04.

If this wasn’t enough, the bank is currently offering an attractive 3.6% dividend yield.

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