



## 3 Reasons to Buy Royal Bank of Canada (TSX:RY) Stock Today

### Description

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) [announced](#) its third quarter of the fiscal 2021 results on August 25. The bank stock didn't see much movement on its earnings event day as it settled with only 0.8% gains on Wednesday despite beating analysts' revenue and earnings estimates. The stock is currently trading at \$133.15 per share with about 28% year-to-date gains against an 18% rise in the **TSX Composite Index**.

That said, I still find the Royal Bank of Canada stock worth buying. Here are some of the key positive factors that make it a great buy for long-term investors.

### Consistent earnings growth

Just like most other large banks, Royal Bank of Canada's core banking operations were badly affected by the COVID-19 driven shutdowns last year. That's why its adjusted earnings fell by 10.4% to \$7.97 per share in the fiscal year 2020. Nonetheless, the largest Canadian bank has witnessed a sharp recovery across all segments in the last few quarters. Notably, it has reported positive earnings growth in the last four quarters in a row while beating Street analysts' earnings estimates by a wide margin for the last five consecutive quarters.

In its latest quarter ended in July 2021, Royal Bank of Canada's [earnings](#) climbed by about 35% year over year to \$3 per share. Its key business segments — including personal and commercial banking, capital markets, wealth management, and insurance — posted stronger profits in the last quarter. This boosted the bank's overall bottom line in Q3.

### Expanding profitability

In the last year, the Royal Bank of Canada has focused on limiting its unnecessary expenses. This controlled approach toward expenses has helped it significantly boost its profitability. That's one of the reasons why the bank's adjusted net profit margin has expanded to well more than 30% in the first three quarters of the fiscal year 2021 compared to the margin of 27.9% in the fiscal year 2019 and

24.1% in the fiscal year 2020.

Recent improvements in its credit performance and credit quality have also played a key role in improving the bank's overall profitability lately.

## The reliability factor

When you're planning to invest your hard-earned money in a company for the long term, you must pay attention to your risk exposure. Royal Bank of Canada's large and well-diversified revenue streams keep its overall business strong even in difficult times. Its recent financial recovery after the pandemic is the latest proof of that. As a result, the bank is already on its way to post solid earnings growth in the fiscal year 2021, which I expect to be higher than its pre-pandemic annual earnings levels.

Overall, Royal Bank's strong capital ratio, consistent earnings growth, strong credit performance, and handsome return on equity make it one of the best Canadian stocks to buy for long-term investors right now. Also, RY stock offers an attractive dividend yield of 3.2%. While the stock has already outperformed the broader market this year so far, reopening economies and rising consumer spending could keep its stock soaring in the coming quarters as well.

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