



2 TSX Companies That Are Loaded With Cash

Description

One of the [basic metrics](#) to look at when stock investing is the company's cash position. Does it have ample liquidity? Is the business generating enough money to cover variable and fixed costs, debts, and sustain dividend payments, if it's a [dividend payer](#)?

The **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is the second-largest bank in Canada and the third-largest publicly listed company on the **TSX**. **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) isn't even half the size of TD, yet its operating activities in Q2 2021 produced \$2 billion in cash flows. If you're looking to invest in cash-rich companies, both are excellent choices.

Eyeing expansion

The Big Six banks in Canada have too much cash after Q2 fiscal 2022. TD raised its provision for credit losses (PCL) to an unprecedented level when COVID-19 broke out like its [industry peers](#). Fortunately, the anticipated deterioration of credit quality and increase in delinquencies didn't happen.

TD had \$14.6 billion in excess CET1 capital above the 11% industry-standard floor at the quarter's end. The situation is both good and bad. TD needs to find a better use for the money. It's a positive development for investors because the \$150.24 billion bank can afford to raise dividends once the banking regulator lifts restrictions on dividend hikes.

For the nine months ended July 31, 2021, TD's adjusted net income is \$10.8 billion, 54.1% higher than in the same period in fiscal 2020. In Q3 fiscal 2021, only the wholesale banking segment reported a decrease in net income versus Q3 fiscal 2020. According to TD CEO Bharat Masrani, the bank would pursue expansion if compelling opportunities emerge, particularly in the Southeast United States or another region.

Likewise, management is open to returning capital to shareholders. The current share price is \$82.55, while the dividend offer is 3.85% if you invest today. TD's payouts should be safe and sustainable, given the 37.22% payout ratio. Imagine the dividend increase if the bank targets a 45% payout ratio.

Turnaround year

Investors, including Warren Buffett's **Berkshire Hathaway**, dumped Suncor Energy. The \$37.58 billion integrated energy company lost its Dividend Aristocrat status in 2020 when it slashed dividends by 55%. It didn't sit well with some investors but not loyal Suncor followers.

Thus far, in 2021, the energy stock has gained 16.5%. At \$25.30 per share, the oil sands king pays a 3.51% dividend. However, the year-to-date gain and decent yield are not the only compelling reasons to purchase Suncor shares today. The company is over the hump and back to fattening its top and bottom lines.

In the first half of 2021, Suncor's net earnings were \$1.68 billion compared to the \$4.13 billion net loss in the same period in 2020. Because Suncor generated enormous cash from operations in Q2 2021, management will allocate incremental funds toward dividends and share buybacks to increase shareholder returns.

During the quarter, Suncor paid \$315 million in dividends. Management also targets absolute net debt of between \$12 billion and \$15 billion by 2025. The company will allocate two-thirds of annual free cash flow, after dividends, for debt repayments. Moreover, it plans to increase dividends, given the \$2.15 billion incremental free funds flow growth.

Cash is king

TD and Suncor Energy operate in different industries but have one thing in common: cash. Both companies are well-positioned for further growth down the road

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