



TD Bank Raises Dividend: Should You Buy TD (TSX:TD) Stock Now?

Description

TD ([TSX:TD](#))([NYSE:TD](#)) just reported strong fiscal Q4 and full-year 2021 results. Investors who missed the big rally in the stock over the past year are wondering if more upside is on the way in 2022.

TD Bank earnings

TD generated an adjusted net income of \$3.87 billion in Q4 2021 compared to \$2.97 billion in the same period last year. For the full-year ended October 31, 2021, adjusted net income was \$14.65 billion compared to \$9.97 billion in FY2020.

On a per-share basis, adjusted diluted earnings in Q4 were \$2.09 versus \$1.60 in 2020. TD earned \$7.91 per share in the full four quarters compared to \$5.36 the previous year.

In the Q4 news release, the CEO said, "Forward-focused investments in new capabilities and innovation drove higher loan and deposit volumes in our retail businesses, increased revenues in wealth and insurance, and strong results in our wholesale business in the fourth quarter of 2021."

The Canadian retail business reported a 19% increase in net income in the fourth quarter year-over-year. Revenue rose by 8%, supported by new mortgages, commercial loans, and credit card sales.

South of the border, TD's U.S. retail business generated record results as the economic recovery continued to pick up speed. Net income in the division jumped 58%.

The wholesale banking operations saw net income drop 14% in Q4 compared to the same period last year. Revenue dipped 8%, but the Q4 2020 results were very strong.

TD had a net reversal of provisions for credit losses (PCL) of \$123 million in the quarter and \$1.04 billion for the fiscal year. Government aid for homeowners and businesses helped avoid a worst-case scenario for the bank.

TD finished the quarter with a CET1 ratio of 15.2%. This is a measure of the bank's capital strength.

The Canadian banks are required to have a CET1 ratio of at least 9%, so TD is sitting on excess cash it will now start to deploy.

Dividend increase and share buybacks

TD announced a big increase in the [dividend](#) with strong results. The quarterly payout will jump by 10 cents to \$0.89 per share. At the current share price near \$95, the new distribution provides an annualized yield of 3.75%.

The government imposed a temporary ban on dividend increases and share repurchases for Canadian financial institutions last year. Investors expected the banks to make up for the missed increase in 2021 and TD is delivering the goods. Another hike wouldn't be a surprise in the middle of next year if the economic recovery continues.

TD is one of Canada's top dividend growth stocks. The bank's compound annual dividend growth rate leading up to the pandemic was above 10% for the previous two decades.

TD also announced plans to repurchase up to 50 million shares through a new buyback plan.

Should you buy TD stock now?

The easy gains have already been made in the bank stocks over the past year, but TD still appears attractive at the current multiple of about 11 times trailing 12-month earnings. The stock should continue to deliver solid total returns for investors with a buy-and-hold strategy.

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