



## Impressive Expansion: Another Reason to Buy TD Stock

### Description

For many investors, Canadian bank stocks continue to be core portfolio holdings. Indeed, among the top Canadian banks many investors look to is **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). TD stock has outperformed the broader TSX market for much of its long-term existence, due in part to excellent capital appreciation and dividend [yield](#) over time.

This total return is one of the reasons why I like TD stock. However, there are a number of other reasons investors point to as core investment theses. Here's one additional reason investors may want to look at TD right now.

### TD Bank's largest takeover ever

Big takeovers can be a good or bad thing for a given stock. For TD stock, these have been the key driver of growth over the long term. Accordingly, many investors tend to view M&A activity positively when it comes to this Canadian bank.

Recently, TD agreed to purchase Memphis, Tennessee-based First Horizon for US\$13.4 billion. This deal puts TD's massive capital stockpile to use, accounting for the company's largest-ever deal. Accordingly, those bullish on TD's ability to expand in the U.S. will like how this deal is structured.

TD will pay US\$25 per share in cash for First Horizon Corp. This particular deal follows TD's growth pattern in the U.S. via acquisitions.

First Horizon boasts over 1.1 million business and individual customers and 412 branches across 12 states. The company has leading positions in the Carolinas and Virginia, Tennessee, and Louisiana. Additionally, it has "important footholds" in Houston, Atlanta, Dallas, and a presence in Florida.

The takeover will move TD Bank beyond its current U.S. East Coast footprint. Also, it will offer the bank additional scale in crucial existing markets like Florida. This billion-dollar deal would also enable TD's U.S. franchise to feature among the nation's top six banks, with assets worth roughly US\$614 billion.

This deal adds scale to TD Bank's trading business and fixed-income sales. Also, it provides the bank with extra capabilities in commercial banking.

## TD stock continues to rise on strong earnings

TD stock has performed quite well of late. Despite being approximately 10% off its all-time high, TD continues to outperform many of its peers in the total return department.

Much of this has to do with the company's recent earnings. TD's adjusted net income rose 13.4% year over year to a whopping \$3.02 billion. This level of cash flow growth has allowed TD to be aggressive with its dividend policy. Currently, TD stock pays out \$0.70 per share in quarterly dividends, providing investors with a [dividend yield](#) of around 3.7%.

Over time, I expect TD's total returns to continue to outperform its peers and the market. Accordingly, long-term investors looking at these earnings ought to get comfort in seeing how stable this long-term core holding is.

## Bottom line

I think TD stock is truly one of the few sleep-at-night options on the TSX. This company benefits from rising interest rates, has a defensive business model, and is focused on expansion. Overall, this is a top bank stock long-term investors may want to consider right now.

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chrismacdonald

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