



TD Bank Stock: This Blue-Chip Company Remains a Top Bet in 2022

Description

TD Bank ([TSX:TD](#))([NYSE:TD](#)) is one of the largest companies in Canada valued at \$172 billion by [market cap](#). Over the years, the banking giant has delivered stellar returns to investors. After adjusting for dividends, TD Bank has returned 232% in the last 10 years. Comparatively, the TSX has surged by 156% in this period.

Despite its market-thumping gains, TD Bank stock is down 20% from all-time highs and offers investors a forward yield of 3.74%, making it attractive to income and value investors.

Let's see why TD Bank stock remains a top choice for 2022.

TD Bank announced the acquisition of First Horizon for US\$13.4 billion

TD Bank recently [announced the acquisition](#) of **First Horizon** ([NYSE:FHN](#)) in an all-cash deal valued at US\$13.4 billion. First Horizon ended 2021 with an asset base of US\$89 billion, which means the combined entity will have US\$614 billion in assets. Once TD closes the acquisition, it will be the sixth-largest bank south of the border.

While TD Bank has a presence in the U.S., First Horizon will provide the former with access to markets such as Florida, the Carolinas, and Virginia, among others. In fact, population growth for First Horizon markets such as Texas, Georgia, and Alabama is estimated to be 50% higher than the national average, which will be a key driver of long-term growth.

The commercial loan portfolio for TD after the acquisition will be close to US\$130 billion, while the buyout will allow the company to increase adjusted earnings by at least 10% in fiscal 2023. First Horizon's purchase price indicates First Horizon is valued at a premium of more than 200% compared to its tangible book value.

Recent quarterly results

TD Bank ended the fiscal first quarter of 2022 with \$1.77 trillion in total assets and total deposits of \$1.16 trillion. In the last four quarters, its adjusted net income stood at \$15.1 billion, while the company continued to maintain a robust common equity tier one capital ratio of 15.2%.

TD Bank derives 57% of sales from the Canadian retail business and 26% from the United States. In fiscal Q1 of 2022 (ended in January), TD Bank reported revenue of \$11.28 billion — an increase of 4% year over year and a sequential gain of 3%.

While Canadian retail sales were up 6% at \$6.71 billion, its adjusted net income surged by 11%. Comparatively, U.S. retail sales also grew by 6%, while its net income was up 30% year over year.

TD Bank attributed its stellar results in Q4 to higher deposit volumes and margins as well as increased earnings on its investment portfolio and higher fee income, which were offset by lower loan margins.

The Foolish takeaway

There is a chance for higher interest rates to result in lower commercial and retail loans in the next 12 months. However, as interest rates move higher, TD Bank and peers will benefit from an expansion of adjusted earnings.

Analysts tracking TD Bank expect earnings to rise at an annual rate of 7.5% in the next five years. Comparatively, TD stock is valued at a forward price-to-2022-earnings multiple of 11.7, which is quite reasonable considering its tasty dividend yield.

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3. TSX:TD (The Toronto-Dominion Bank)

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