



Should You Buy TD Bank Stock Now?

Description

TD ([TSX:TD](#)) just reported solid results for the fiscal fourth quarter (Q4) and full-year fiscal 2022. The stock is off the 2022 lows but still down from the peak it hit earlier in the year. Investors who missed the rally in recent weeks are wondering if TD stock is still [undervalued](#) and good to buy for a Tax-Free Savings Account (TFSA) or a Registered Retirement Savings Plan (RRSP).

TD Bank overview

TD is Canada's second-largest bank with a current [market capitalization](#) of \$167 billion. The bank is best known for its Canadian retail banking and wealth management operations. However, TD has invested tens of billions of dollars over the past two decades to acquire a number of U.S. banks to build a strong presence in the American market.

That trend continues. TD is in the process of buying **First Horizon** for US\$13.4 billion. The deal will add more than 400 branches and will make TD a top-six bank in the United States. First Horizon's operations are primarily located in the southeastern part of the country. This is a good fit for TD's existing network of branches that currently runs from Maine right down the east coast to Florida.

TD is also expanding its capital markets business with the US\$1.3 billion purchase of **Cowen**, an investment bank.

TD earnings

TD generated adjusted net income of \$4.07 billion in fiscal Q4 2022 compared to \$3.87 billion in the same period last year. Full-year fiscal 2022 adjusted net income was \$15.4 billion compared to \$414.6 billion in 2021.

Canadian Personal and Commercial Banking fiscal Q4 net income rose 11% compared to the same period last year, supported by a surge in net interest income of 18%. This is the result of soaring interest rates in Canada in recent months.

South of the border, U.S. retail net income rose 12% when converted to Canadian funds and by 7% in U.S. dollars.

TD just started reporting its wealth management and insurance results as a separate segment. The new group saw net income slide 15% when compared to fiscal Q4 in 2021. Weak equity markets and a drop in assets under management contributed to a decline in fees. Insurance claims increased by 11%, adding to the negative results in the division.

Outlook

TD expects 2023 adjusted earnings per share to grow by 7-10% compared to 2022, even as the economy faces some challenges. Economists widely expect the Canadian and U.S. economies to go through a mild and short recession next year. Assuming that turns out to be the case, TD's earnings forecast is likely achievable, and the stock is probably undervalued at the current share price near \$92.50. TD traded as high as \$109 in early 2022.

Dividends

TD raised the dividend by 13% for 2022. Another decent increase is likely on the way next year, but management might wait for the two U.S. acquisitions to close before announcing a boost to the distribution. At the current share price, the dividend provides a 4.1% yield.

Is TD stock a buy?

Volatility should be expected in the coming months, as investors evaluate the potential negative impacts of soaring interest rates and persistent inflation. However, TD has demonstrated that it can deliver solid results in tough times, and the earnings expectations are attractive.

I wouldn't back up the truck today, but if you have some cash to put to work in a buy-and-hold portfolio, it might be worthwhile to start nibbling while the stock is still down from the 2022 high.

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