



## Is Toronto-Dominion Bank a Forever Stock?

### Description

The great Warren Buffett once proclaimed that his favourite holding period is “forever.” Are there any stocks in the Canadian market that could be bought today and held forever?

Let's look at **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) to determine if it fits that mould. This financial juggernaut employs 83,000 people in offices around the world and is the second-largest Canadian bank by market capitalization and the sixth-largest in North America. The company reported another strong quarter to finish off 2017, but let's dig a little deeper before pulling the trigger.

### Great track record

Past performance is by no means a sure predictor of future results, but it's certainly a good starting point when analyzing a potential investment.

Looking at TD's total shareholder return over the last 10 years, it boasts a compounded annual growth rate (CAGR) of 11.5%, which easily surpasses its Canadian and North American peers, who have managed, on average, a CAGR of 8.8% and 5.1%, respectively. To put that in perspective, a \$1,000 investment in TD 10 years ago would be worth \$2,970 today.

Most recently, TD delivered a solid fourth quarter to finish off another great year. The company reported earnings of \$2.7 billion and EPS of \$1.42, both up 18% compared with the same quarter last year.

The company continues to provide great returns to shareholders in the form of buybacks and dividends. TD has managed to grow its dividend by an astonishing annualized rate of 10% over the last 20 years. At the time of this writing, the dividend yield comes in at a very respectable 3.27%.

### Growth prospects going forward

A great track record is only part of the story when it comes to making sound investments. Since the markets are forward looking, we also need to look at what TD has in store down the road.

The company has been on a remarkable expansion trajectory in the United States. It now provides a full range of products and services to more than nine million customers at more than 1,200 convenient locations. As impressive as these stats are, it is worth noting that the company only operates in 15 states and Washington, D.C., so it appears like there is room to further expand south of the border.

TD has stated in its fourth-quarter earnings release that it targets a 7-10% adjusted EPS growth over the medium term. For a company that size, this represents a very acceptable growth rate. When combining a growing EPS with the current payout ratio of only 43%, future dividend payments appear to be fairly safe, and there is also room for dividend hikes.

### **Foolish bottom line**

Given its past performance and growth prospects, TD is definitely worthy of investors' consideration.

Investors have to keep in mind the risks associated with this investment. No equity investment is riskless, but a great way to mitigate at least some of that risk is to extend the holding period. One could even make the case for extending it to forever.

TD is currently trading above its peers with a trailing P/E ratio of 13.41 and a forward P/E ratio of 11.72. These metrics do not imply a screaming buy at today's price, but I think that investors could do a lot worse than to add this fantastic company to their portfolios—forever.

### **CATEGORY**

1. Bank Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

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