

Toronto-Dominion Bank (TD) 2/10/10

TD operates as a large regional bank, being the second largest in Canada as well as having a large presence in the U.S. TD offers a wide range of banking services and operates by way of Canadian Personal and Commercial Banking, U.S. Personal and Commercial Banking, Wealth Management, Wholesale Banking, and Corporate. The company is headquartered in Toronto, Canada and was founded in 1855.

Current Price	\$60.54
52 Week High	\$65.29
52 Week Low	\$25.86
One Yr Target	n/a
Market Cap (in billions)	\$52.04
P/E (Trailing)	18.69
P/E(1 Yr Forward)	9.09
P/E/G	0.88
ROA	0.52%
ROE	9.07%
EPS	\$3.24
Beta	0.93
Annualized Dividend	\$2.71
Dividend Yield	4.48%
Analyst Consensus	2.00
Debt to Equity	13.40



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Annual EPS

2006	\$6.44	
2007	\$5.72	-11.09%
2008	\$4.84	-15.41%
2009	\$4.42	-8.80%
ttm	\$3.24	-26.64%

Annual Revenue (in millions)

2006	n/a	
2007	n/a	n/a
2008	n/a	n/a
2009	n/a	n/a

Annual Net Income (in millions)

2006	\$4,618.00	
2007	\$4,108.00	-11.04%
2008	\$3,922.00	-4.53%
2009	\$3,792.00	-3.31%

Free Cash Flows (in millions)

2006	-\$6,381.00	
2007	\$4,073.00	163.83%
2008	\$19,982.00	390.60%
2009	\$24,454.00	22.38%

Required Rate of Return

10.22%

Dividend Growth Model

Present Value of 2015 Price	\$25.99
Holding Period Return (5 years)	1.09%

Expected Annualized Return Model

Present Value of 2015 Price	\$64.91
Holding Period Return (5 years)	1.19%

Residual Income Model

Intrinsic Stock Price	\$111.97
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Analysis

Positives

Nice fundamentals that makes the valuation seem like a good deal

Negatives

Financial Statements

Income Statement shows that Net Income was significantly hit by the recession

Balance Sheet is ok, but Debt levels rise with the addition of recent Preferred Stock

Cash Flows have risen lately due to the issuance of both Debt and Equity, a poor sign

Industry Analysis

Financials look risky lately but foreign banks may be able to escape the lull

TD has average financial ratios and operates in a semi-competitive industry

Summary

TD is a solid enough bank with ok financials and attractive valuation metrics. The low PEG ratio coupled with nice operating ratios is a sign of a good company that is undervalued. This notion is helped by the RI valuation model, but the others tell a different story. The outlook valuation models like EAR and DG show the stock price to be overvalued. This is because the outlook for TD is rather tame, with it not having a great competitive advantage either. Canadian banks as a whole have not had the asset write-downs that their U.S. brothers have and also have higher Tier 1 ratios. That said, TD did have the most exposure to the mortgage crisis and a high Tier 1 ratio going forward might not allow for the growth of other banks. Overall TD seems to be about fairly valued and could slightly market underperform going forward.