



Royal Bank of Canada (RY)

Updated September 1st, 2025 by Kay Ng

Key Metrics

Current Price:	\$145	5 Year Annual Expected Total Return:	8.1%	Market Cap:	\$205B
Fair Value Price:	\$134	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	10/27/25
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.7%	Dividend Payment Date:	11/24/25
Dividend Yield:	3.1%	5 Year Price Target	\$187	Years Of Dividend Growth:	14
Dividend Risk Score:	B	Sector:	Financials	Rating:	Hold

Overview & Current Events

The Royal Bank of Canada – hereafter RBC – is the largest bank in Canada by market capitalization, and the country’s largest bank by total assets. RBC offers banking and financial services to customers primarily in Canada and the U.S. and is a member of the Big 5 Canadian banks. The financial institution operates in these core business units: Wealth Management (34% of FY 2024 revenue), Personal Banking (30%), Capital Markets (21%), and Commercial Banking (13%). RBC is cross-listed on the Toronto Stock Exchange and the New York Stock Exchange, trading under the ticker RY on both exchanges. All figures in this research report are in U.S. Dollars unless otherwise noted.

On 8/27/25, RBC reported strong fiscal Q3 2025 results, driven by “strong revenue momentum across our businesses and solid operating leverage, including the realization of the C\$740 million in annualized cost synergies from the acquisition of HSBC Bank Canada,” as noted in the Q3 earnings call. The bank reported year-over-year revenue growth of 16% to ~C\$17.0 billion. Management put aside a reserve of C\$881 million in the form of provision for credit losses (“PCL”), up 34% year over year (“YOY”). Additionally, non-interest expense rose 7.4% to \$9.2 billion. Net income climbed 21% YOY to C\$5.4 billion with diluted earnings-per-share (“EPS”) climbing 21% to C\$3.75. Adjusted net income came in 17% higher at C\$5.4 billion, and its adjusted diluted EPS was C\$3.84 (up 18%). The bank’s capital position remained solid with a Common Equity Tier 1 ratio at 13.2%, same as a year ago. The PCL on impaired loans remain low at 0.36% (versus 0.26% a year ago). Its return on equity remained solid at 16.1% (versus 14.4% a year ago).

The fiscal year-to-date results provide a bigger picture. RBC’s revenue climbed 17% to C\$49.4 billion, PCL jumped 40% to C\$3.4 billion, non-interest expenses rose 7.9% to C\$27.2 billion. Ultimately, net income came in 24% higher at C\$14.6 billion and diluted EPS climbed 24% to C\$10.31. Its adjusted net income rose 17% to ~C\$15 billion and its adjusted EPS rose 17% to C\$10.58. Due to the latest results, we update our fiscal 2025 EPS estimate to US\$9.89.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$4.99	\$5.06	\$5.88	\$6.26	\$6.72	\$6.04	\$8.68	\$8.16	\$8.39	\$8.60	\$9.89	\$13.87
DPS	\$2.47	\$2.44	\$2.66	\$2.93	\$3.06	\$3.19	\$3.43	\$3.84	\$3.97	\$4.08	\$4.45	\$6.24
Shares¹	1,450	1,494	1,453	1,439	1,430	1,420	1,427	1,389	1,400	1,417	1,405	1,379

RBC makes strategic acquisitions to grow its business for the long haul. For example, in September 2022, it announced the completion of its acquisition of Brewin Dolphin, an award-winning wealth-management firm in the U.K., for £1.6 billion. Subsequently, it acquired HSBC Canada for C\$13.5 billion in March 2024. From FY2015-2024, RBC increased its EPS by 6.9% per year in C\$. When translated into US\$, it was 6.2% per year. Management targets a medium-term growth rate of about 7% and we set our estimated growth rate to 7% as well through 2030.

¹ Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	12.3	11.8	12.8	13.1	11.9	11.5	12.6	12.1	11.5	19.9	14.7	13.5
Avg. Yld.	4.5%	3.6%	3.3%	4.3%	3.9%	4.6%	3.1%	3.7%	4.5%	4.0%	3.1%	3.3%

Because of the bank's size, business mix, above-average stability, and entrenched presence in the U.S. market, RBC tends to trade at a premium to its peers in the Canadian banking industry. From 2015-2024, RBC's average price-to-earnings ratio ("P/E") was 13.0 and averaged a yield of 4.0%. Currently, it trades at a higher P/E due to its strong results recently.

Its average P/E from 2020-2024 was 13.5. We think it's fair to target a P/E of 13.5. Using our estimate for fiscal 2025 EPS, the bank is currently priced at a price-to-earnings multiple of 14.7, implying that the stock is slightly above fair value. As a Canadian stock, RBC's dividends may be subject to a 15% dividend withholding tax for U.S. investors. This tax can potentially be avoided by investing in RBC shares through a retirement account.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	49%	48%	45%	47%	46%	53%	40%	47%	47%	47%	45%	45%

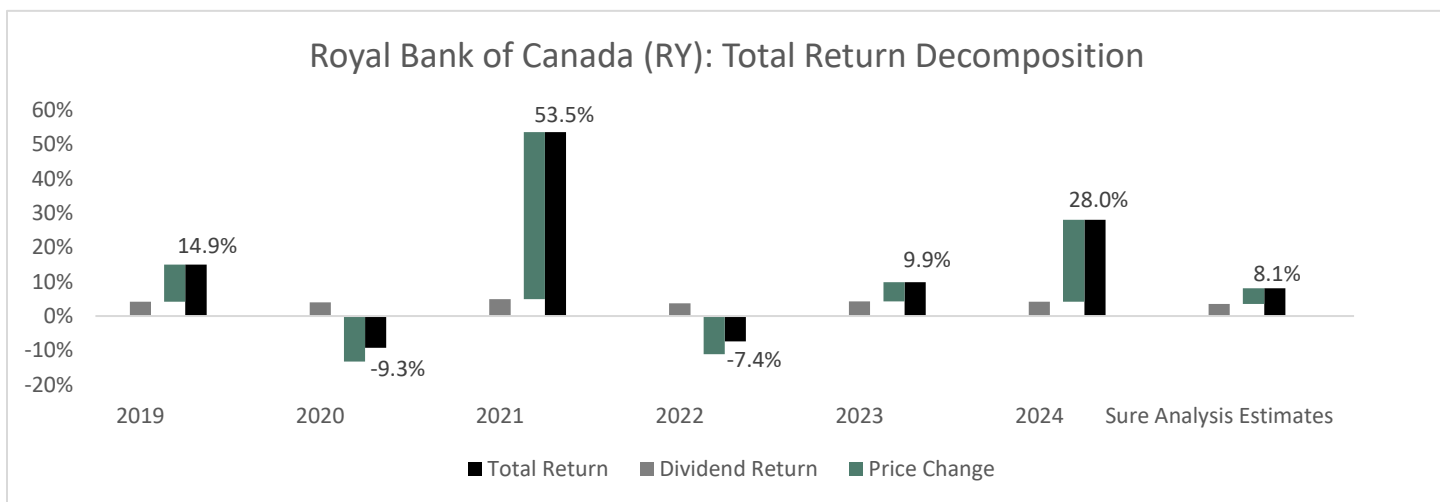
During the Great Recession in 2007-09, the stock increased its dividend every year (in the local currency of Canadian dollars), except for fiscal 2009 and 2010 in which it maintained the dividend. During that period, its adjusted EPS remained fairly stable and had a magnificent run from fiscal 2011 to 2019. The quality bank once again showed resilient earnings in fiscal 2020 in the midst of a pandemic. The regulator, Office of the Superintendent of Financial Institutions, once again stepped in to prevent the federally-rated Canadian banks to raise dividends during the pandemic.

Investors were happy that the restriction was lifted in November 2021. RBC normally has a payout ratio of under 50%. The payout ratio was elevated a bit in fiscal 2020 but quickly came back down to below 50%. Competitive advantages are difficult to come by in banking, but RBC's franchise value, based on its history and scale, is a close substitute. We see RBC's brand as a valuable asset and one that should help it weather this and future economic downturns.

Final Thoughts & Recommendation

We forecast 8.1% in total returns annually over the next five years, consisting of a yield of 3.1%, 7.0% earnings-per-share growth, and a 1.7% headwind from valuation compression. So, we continue to rate RY as a Hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	28,280	28,710	30,680	33,040	34,440	35,040	39,370	37,880	41,690	42,240
SG&A Exp.	11,720	11,920	12,530	12,790	14,060	14,080	16,240	14,220	17,040	15,490
D&A Exp.	1,004	1,166	1,236	1,284	1,455	1,970	2,060	2,060	2,127	2,190
Net Profit	7,997	7,847	8,738	9,638	9,676	8,504	12,750	12,270	11,010	11,930
Net Margin	28.3%	27.3%	28.5%	29.2%	28.1%	24.3%	32.4%	32.4%	26.4%	28.2%
Free Cash Flow	18,380	19,310	27,800	12,040	9,030	101,310	46,780	15,100	17,300	15,330
Income Tax	2093	2143	2449	2587	2290	2196	3641	3341	2668	2661

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	816.1	879.8	945.4	1017.3	1085.2	1219.4	1376.9	1408.8	1450	1561
Cash & Equivalents	26.7	31.9	47.6	50.8	49.1	118.5	156.1	132.6	96.2	88.25
Accounts Receivable	3,495	3,993	4,431	5,098	5,647	5,226	5,851	6,579	8,784	8,838
Goodwill & Int.	9,190	11,780	12,070	12,060	12,080	12,050	12,370	13,490	13,380	19,470
Total Liabilities	767.5	826.4	887.4	956.4	1021.7	1154.3	1297.2	1329.3	1365	1470
Accounts Payable	4,300	4,280	4,680	6,620	6,330	7,100	8,480	12,700	14,900	16,520
Long-Term Debt	182734	166623	177996	192070	206266	196599	242051	308660	314200	337570
Shareholder's Equity	43338	47932	52549	56061	59099	60587	74191	74023	79780	84890
D/E Ratio	3.87	3.15	3.09	3.16	3.25	3.02	3.04	3.89	3.69	3.69

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.0%	0.9%	1.0%	1.0%	0.9%	0.7%	1.0%	0.9%	0.8%	0.8%
Return on Equity	18.4%	17.2%	17.4%	17.7%	16.8%	14.2%	18.9%	16.6%	14.3%	13.7%
ROIC	3.6%	3.5%	3.8%	3.9%	3.7%	3.2%	4.4%	3.5%	2.8%	2.9%
Shares Out.	1450	1494	1474	1450	1441	1429	1427	1406	1393	1414
Revenue/Share	19.51	19.21	20.81	22.78	23.9	24.52	27.6	26.94	29.94	29.88
FCF/Share	12.68	12.92	18.86	8.3	6.27	70.9	32.79	10.74	12.43	10.84

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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