



Toronto-Dominion Bank (TD)

Updated August 31st, 2025 by Kay Ng

Key Metrics

| | | | | | |
|-----------------------------|------|---|------------|----------------------------------|----------|
| Current Price: | \$75 | 5 Year Annual Expected Total Return: | 7.8% | Market Cap: | \$128.3B |
| Fair Value Price: | \$70 | 5 Year Growth Estimate: | 5.5% | Ex-Dividend Date: | 10/10/25 |
| % Fair Value: | 107% | 5 Year Valuation Multiple Estimate: | -1.4% | Dividend Payment Date: | 10/31/25 |
| Dividend Yield: | 4.0% | 5 Year Price Target | \$91 | Years Of Dividend Growth: | 14 |
| Dividend Risk Score: | C | Sector: | Financials | Rating: | Hold |

Overview & Current Events

Toronto-Dominion Bank traces its lineage back to 1855 when the Bank of Toronto was founded. The institution – formed by millers and merchants – has since blossomed into a global organization with over 100,000 employees and C\$2 trillion in assets. The bank's core earnings primarily come from retail banking focused operations. It tends to be profitable through the economic cycle although its earnings have some sensitivity to the ups and downs of the cycle. All figures in this report are in U.S. dollars unless otherwise noted.

The bank promoted Raymond Chun to CEO in February and appointed a new board chair and 5 new directors. We believe the new leadership team could help re-ignite TD Bank's growth.

TD reported fiscal Q3 2025 earnings results on August 28th, 2025. For the quarter, TD generated adjusted revenue growth of 9.7% to C\$15.6 billion. Provision for credit losses ("PCL") fell 9.4% to C\$971 million. Adjusted net income came in 6.2% higher to C\$3.9 billion with the adjusted earnings per share ("EPS") rising 7.3% to C\$2.20. The adjusted return on equity ("ROE") was 13.2%, down from 14.1% a year ago.

The fiscal year-to-date results provide a bigger picture with the adjusted revenue rising 9.3% to C\$45.8 billion and PCL rising 12% to C\$3.5 billion. Ultimately, adjusted net income rose marginally by 0.4% to C\$11.1 billion and the adjusted EPS rose 1.6% to C\$6.19. Its PCL ratio as a percentage of average net loans and acceptances was 0.50%, up from 0.46% from a year ago. Net impaired loans as a percentage of net loans and acceptances was 0.39%, up from 0.31% a year ago. The adjusted ROE was 12.9%, down from 14.3% a year ago. The bank's capital position remained solid with a common equity tier 1 ratio of 14.8%, up from 12.8% a year ago. We update our fiscal 2025 EPS estimate to US\$5.83 per share.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| EPS | \$3.44 | \$3.65 | \$4.30 | \$4.87 | \$5.07 | \$4.16 | \$6.17 | \$6.23 | \$5.89 | \$5.56 | \$5.83 | \$7.62 |
| DPS | \$1.61 | \$1.63 | \$1.80 | \$2.03 | \$2.17 | \$2.31 | \$2.51 | \$2.75 | \$2.84 | \$3.00 | \$3.04 | \$3.97 |
| Shares¹ | 1,856 | 1,857 | 1,840 | 1,828 | 1,812 | 1,816 | 1,822 | 1,814 | 1,791 | 1,750 | 1,707 | 1,695 |

TD expects to provide its medium-term adjusted EPS guidance later this year. Foreign exchange fluctuations between the C\$ and US\$ will impact the effective growth rate. That said, TD's EPS performance has been stable in the last decade despite forex volatility. From 2015 to 2024, the bank increased its EPS by 5.5% per year (and DPS by 7.2%). Fiscal year 2020 was one of those abnormal years with a pandemic triggering a decline in TD earnings. Results rebounded strongly in the subsequent year. After TD maintained its quarterly dividend for seven consecutive quarters, it raised its dividend as soon as the regulator lifted the ban as a safety measure against pandemic-linked disruptions to the economy. We estimate TD's EPS and DPS growth to be 5.5% per year through 2030.

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|
| Avg. P/E | 11.5 | 11.8 | 13.2 | 12.5 | 11.3 | 11.5 | 12.3 | 11.6 | 10.3 | 10.3 | 12.9 | 12.0 |
| Avg. Yld. | 4.0% | 3.3% | 3.1% | 4.1% | 3.9% | 4.8% | 4.0% | 3.7% | 4.5% | 4.8% | 4.0% | 4.3% |

From 2015-2024, TD's average price-to-earnings ratio (P/E) was 11.6. We think 12.0 is a fair P/E to target for the long term. With the current P/E of 12.9, the stock seems fairly valued. TD's yield likely won't stray far away from the 4% range in the long run. As a Canadian stock, TD's dividends may be subject to a 15% dividend withholding tax for U.S. investors. This tax can potentially be avoided by investing in TD through a retirement account.

Safety, Quality, Competitive Advantage, & Recession Resiliency

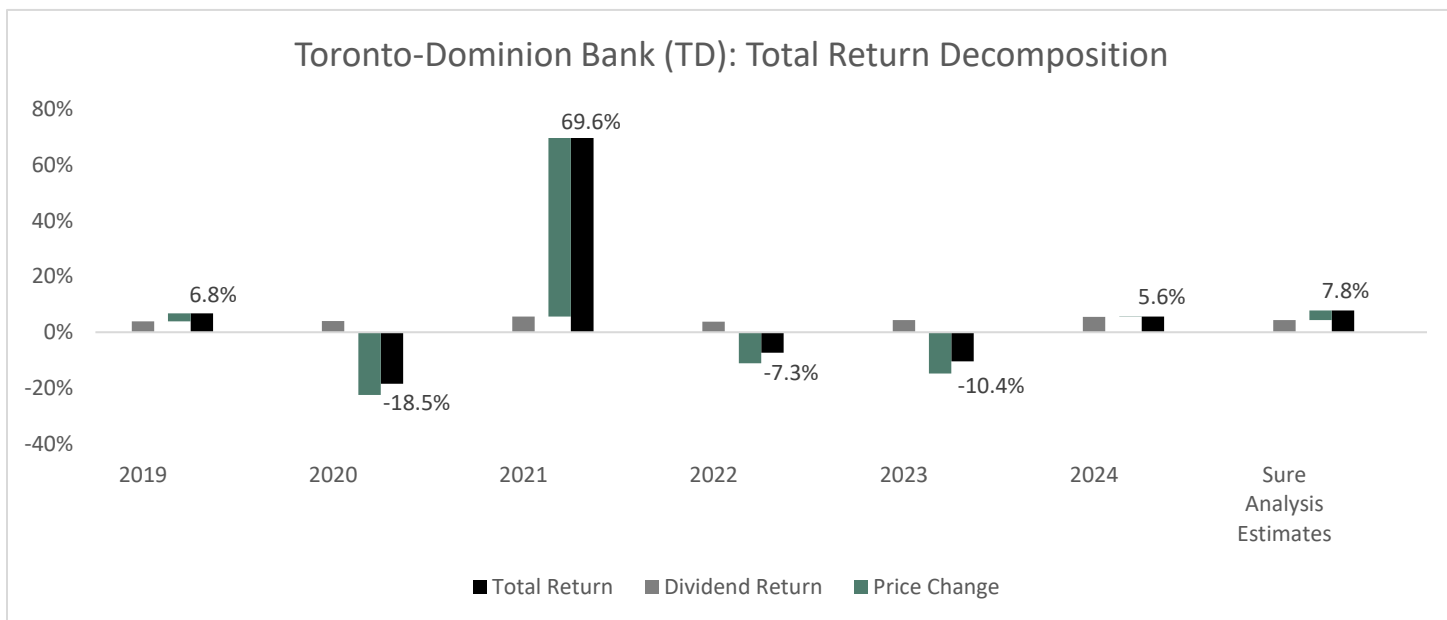
| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 47% | 45% | 42% | 42% | 43% | 56% | 41% | 44% | 48% | 54% | 52% | 52% |

During the Great Recession more than a decade ago, TD increased its dividend every year (in Canadian dollars), except for fiscal 2010 in which it maintained the dividend. During that period, its adjusted EPS also remained strong, only declining 15% in fiscal 2008. Caused by COVID-19 repercussions, global economic contractions had been a drag on bank earnings in fiscal 2020 with adjusted EPS falling about 20% measured in C\$. The pandemic disruptions to the economy have been less severe thanks partly to government support programs. TD normally has a payout ratio of under 50%. In fiscal 2020, like its peers, its payout ratio was elevated due to COVID-19 impacts. Tariff changes this year heightens the uncertainty of the Canadian economy, which could bring volatility to TD's earnings and stock. The bank's competitive advantage is its focus on retail banking in Canada and in the U.S. This means the stock's performance will be closely related to the health of the North American economy, and its growth outlook in North America. Still, as a leading North American bank, TD stands as one resilient bank that can navigate through hardships.

Final Thoughts & Recommendation

We forecast 7.8% in total returns annually over the next five years, consisting of a 4.0% dividend yield, 5.5% earnings-per-share growth, and a 1.4% headwind from P/E compression. We currently have a "hold" rating on TD.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------|--------|--------|--------|--------|--------|---------|--------|--------|---------|--------|
| Revenue | 25,062 | 25,641 | 27,405 | 29,949 | 30,644 | 32,197 | 33,595 | 35,544 | 39,220 | 41,110 |
| SG&A Exp. | 9,888 | 9,429 | 9,932 | 10,589 | 10,566 | 10,993 | 11,990 | 12,656 | 15,500 | 18,290 |
| D&A Exp. | 1,007 | 1,008 | 999 | 1,081 | 1,057 | 1,593 | 1,642 | 1,372 | 1,416 | 1,489 |
| Net Profit | 6,375 | 6,653 | 7,949 | 8,753 | 8,779 | 8,848 | 11,365 | 13,537 | 7,990 | 6,497 |
| Net Margin | 25.4% | 25.9% | 29.0% | 29.2% | 28.6% | 27.5% | 33.8% | 38.1% | 20.4% | 15.8% |
| Free Cash Flow | 27,667 | 27,606 | 19,645 | 3,969 | -418 | 169,856 | 38,947 | 29,123 | -49,760 | 38,770 |
| Income Tax | 1,227 | 1,616 | 1,723 | 2,473 | 2,058 | 857 | 2,878 | 3,096 | 2,348 | 1,977 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Total Assets (\$B) | 839 | 877 | 997 | 1017 | 1075 | 1288 | 1395 | 1409 | 1415 | 1482 |
| Cash & Equiv. (\$B) | 35 | 43 | 43 | 27 | 23 | 128 | 134 | 107 | 76 | 128 |
| Accounts Rec. (\$B) | 7 | 7 | 8 | 9 | 9 | 10 | 9 | 11 | 14 | 13 |
| Goodwill (\$B) | 14 | 14 | 15 | 14 | 15 | 14 | 15 | 15 | 15 | 16 |
| Total Liab. (\$B) | 788 | 822 | 938 | 956 | 1008 | 1216 | 1314 | 1327 | 1334 | 1400 |
| Accounts Payable | 20,851 | 17,307 | 29,878 | 26,392 | 23,013 | 32,168 | 30,022 | 23,590 | 31,600 | 28,660 |
| Long-Term Debt | 32,185 | 162,659 | 182,378 | 201,866 | 213,232 | 189,455 | 202,770 | 270,934 | 286,890 | 327,590 |
| Shareholder's Equity | 47,646 | 50,809 | 54,140 | 56,439 | 62,201 | 67,442 | 75,945 | 73,575 | 73,220 | 74,970 |
| LTD/E Ratio | 0.65 | 3.01 | 3.15 | 3.35 | 3.2 | 2.64 | 2.52 | 3.31 | 3.54 | 3.96 |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|
| Return on Assets | 0.8% | 0.8% | 0.8% | 0.9% | 0.8% | 0.7% | 0.8% | 1.0% | 0.6% | 0.5% |
| Return on Equity | 13.5% | 13.5% | 15.1% | 15.8% | 14.8% | 13.7% | 15.9% | 18.1% | 10.9% | 7.9% |
| ROIC | 4.2% | 4.4% | 3.5% | 3.5% | 3.2% | 3.3% | 4.2% | 4.3% | 2.2% | 1.7% |
| Shares Out. | 1854 | 1857 | 1855 | 1840 | 1827 | 1809 | 1820 | 1814 | 1824 | 1760 |
| Revenue/Share | 13.52 | 13.81 | 14.78 | 16.28 | 16.77 | 17.80 | 18.46 | 19.60 | 21.50 | 23.36 |
| FCF/Share | 14.92 | 14.87 | 10.59 | 2.16 | -0.23 | 93.91 | 21.4 | 16.06 | -27.27 | 22.03 |

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

Disclaimer

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