Why Toronto-Dominion Bank Is an Absolute Steal

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has now pulled back 8.2% from its high about a month ago. The company has been under fire over a situation that seemed awfully similar to the one experienced by **Wells Fargo & Co.** (NYSE:WFC) over a year ago. The low-level management team was pressuring its front-line tellers to upsell customers, but Toronto-Dominion isn't the only bank that's been doing this. Fool contributor Will Ashworth stated, "all banks are doing this to some extent."

Banks really aren't your friends, and if you're a customer, the staff will be looking at their own goals first and yours after. Banks are businesses, and they're going to do everything in their power to try to increase revenues, but if it comes at the expense of the customer, that's taking it a bit too far.

I believe Toronto-Dominion has unfairly taken a beating on behalf of all the big banks because of these kinds of questionable practices, and I think the current dip is a huge opportunity for long-term investors looking for a core holding.

Toronto-Dominion has always traded at a considerable premium to its peers in the Canadian banking scene, but now this valuation gap has shrunk. I believe Toronto-Dominion is the strongest bank of the Big Five, and it is best positioned to reward shareholders in the long run. The fundamentals are excellent, and the risk-management strategy is top-notch. Toronto-Dominion is worth every bit of the premium it had over its peers in the Big Five, and now you have the opportunity to purchase shares at a huge discount to its intrinsic value.

There's a class-action lawsuit that came out of Toronto-Dominion's "Wells Fargo moment," but I think it's been way overblown by the press. Sure, it's a horrible situation for the tellers and the customers, but I believe the problem is easily fixable once upper management takes action. Toronto-Dominion has a code of conduct that all employees are supposed to follow, but it appears that it hasn't been enforced lately.

In a few years from now, this whole sell-off and scandal will be in the rear-view mirror. It won't hurt the long-term fundamentals of the business. Sure, it'll affect account openings in the short term, but I think Toronto-Dominion will get this mess sorted out faster than Wells Fargo did.

The stock currently trades at a 13.4 price-to-earnings multiple with an attractive 3.71% dividend yield. Although the dividend isn't the largest, it is most likely going to grow the fastest over the next few years as the strong U.S. segment lifts the company into the atmosphere.

The company now trades at a similar valuation as **Royal Bank of Canada**, but Toronto-Dominion is clearly the better long-term play. Sure, there were many downgrades on the stock following the scandal, but I think these are too focused on the short term. It's very likely that all banks are guilty of questionable tactics to increase revenues, but Toronto-Dominion got caught. You should probably load up on shares now while they're on sale or you'll surely be kicking yourself later.

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Author
joefrenette