



Toronto-Dominion Bank Is Severely Undervalued

Description

After Donald Trump won the presidential election, stocks started soaring, and everyone suddenly turned greedy after being fearful in the months leading up to the election. Many investors were so scared before and during the election that they readjusted their portfolios to mitigate risk of a Trump victory. People missed out on a rally because of this, and it goes to show that timing the market is a horrible idea that could cause you to miss out on huge gains.

There's no question that the market has gotten frothy after the recent Trump rally, but is there value left to be had anywhere? I think the Trump rally still has legs, and if you know where to look, you can still find fantastically undervalued gems on the TSX.

I'm a Buffettarian investor. I like wonderful businesses with durable competitive advantages and wide moats. If any of these wonderful businesses are trading at a discount to their intrinsic value, then it's time to pull the trigger and pick up shares while they're on sale.

Here's one incredible business that is too cheap to ignore right now.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) experienced a sell-off after a news report by the CBC which revealed that the managers were pressuring their front-line tellers to up-sell customers to meet aggressive sales targets. There's no question that a line was crossed when growth came at the expense of the customer. It's unacceptable, but the truth is, many banks have been doing the same thing. Toronto-Dominion Bank just happened to be the one that took the bullet because it was targeted first.

Toronto-Dominion Bank has taken steps to ensure this sort of behaviour doesn't happen again and has made it clear that its employees must follow its code of conduct. The management team launched a review of sales practices. If you walk into your local Toronto-Dominion Bank, you'll see a lot more managers peering over the shoulders of tellers.

Toronto-Dominion Bank acted fast in response to the scandal, and I think the issue is way overblown at this point. The sell-off that resulted is nothing more than an attractive entry point for investors looking to own shares in one of the best banks in Canada.

Toronto-Dominion Bank has an incredible risk-management strategy and a strong U.S. banking segment which will act as a tailwind over the long term as the U.S. economy strengthens under the Trump Administration's pro-business policies. Because of such strong tailwinds, I believe Toronto-Dominion Bank is well positioned to grow its dividend by the largest amount compared to its peers in the Big Five over the next five years.

Toronto-Dominion Bank has traded at a considerable premium to its peers in the past, but since the scandal, this premium has shrunk.

As Warren Buffett used to say "...it's better to buy a wonderful business at a fair price than a fair business at a wonderful price." In the case of Toronto-Dominion Bank, it's a wonderful business that also has a wonderful price.

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