



## Emulate Warren Buffett and Buy Toronto-Dominion Bank (TSX:TD) Stock

### Description

It's official: Warren Buffett is a fan of banks. According to a recent disclosure statement, **Berkshire Hathaway** (NYSE:BRK-A) owns more than \$80 billion worth of bank stocks, including \$25 billion in **Bank of America** (NYSE:BAC) alone. Berkshire Hathaway's total portfolio is worth about \$200 billion, meaning that banks compose approximately 40% of the Oracle's total holdings.

Historically, emulating Warren Buffett has been an easy way to generate above-average returns. Right now, buying American banks like BoA and **Wells Fargo** would be a great way to do that. But if you prefer to keep your money in Canadian or TSX-listed stocks, you're in luck. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is earning an ever-increasing percentage of its revenue in the U.S. and shares remarkable similarities with the bank stocks Buffett likes. Let's take a close look at why Buffett currently has over 10% of his portfolio in another major bank.

### Why Buffett likes Bank of America

Bank of America is America's second biggest bank, a global behemoth that manages over \$2 trillion worth of assets. Buffett is one of the bank's biggest fans, having gone on the record as saying he'll hold it "for a long, long time."

Buffett's preference for Bank of America comes down to three things: price, profitability and growth. Buffett has often said that he likes to acquire "great businesses at fair prices." And that's exactly what the bank is. First, it's cheap, trading at just nine times forward earnings. Second, it's profitable, with a 32% profit margin and 10% ROE. Third, it's a growing enterprise, with revenue up 11% and diluted EPS up a sizzling 250% in its most recent quarter.

### Toronto-Dominion Bank: the most American of Canadian banks

Having established why Bank of America is a fantastic stock in its own right, it's time to get into the closest Canadian parallel: TD Bank.

TD has often been called the "most American of Canadian banks," with about [30% of its revenue](#)

coming from south of the border. TD's U.S. retail [business grew at 44%](#) in its most recent quarter compared to single digits for the Canadian business; if that trend continues, TD's operations will become even more American over time.

Not only does this spare TD too much exposure to Canada's slowing housing market, but it also provides far more room for growth: TD is only the eighth biggest bank in the U.S. with hardly any presence on the West Coast. This means that the company has tons of room to grow down south, with entire states it has barely begun to penetrate. TD could theoretically grow much faster in the U.S. than Bank of America itself, as it's nowhere near saturating the market. Should that happen, TD may prove to be an even better bank play than its American cousin.

## A solid dividend grower

A final point worth mentioning about TD is that it's a solid dividend stock with a 3.6% yield and a 9.6% annual dividend growth rate. Although TD's yield is among the lowest of the big Canadian banks, its growth rate is among the highest. The most recent annual increase was 11% and its highest annual increase ever was over 20%. If you're looking for value, growth, income and a fair price all rolled into one package, TD Bank is a solid bet.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:BAC (Bank of America)
2. NYSE:BRK.B (Berkshire Hathaway Inc.)
3. NYSE:BRKA (Berkshire Hathaway Inc.)
4. NYSE:TD (The Toronto-Dominion Bank)
5. TSX:TD (The Toronto-Dominion Bank)

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