Is Toronto-Dominion Bank (TSX:TD) Stock the Bargain of the Year?

Description

The Big Six Canadian banks are must-own staples for any Canadian investment portfolio. Whenever shares dip in price, investors should be ready to double-down on shares of their favourite bank stocks, as such dips are usually rare, and short-lived windows of opportunity to lock-in a slightly higher dividend yield.

Canada's top banks are robust enough to hike their dividends every single year, economic slowdown or not. So, when the banks eventually sweeten up the pot with a 10% dividend hike or so, income-oriented investors are usually quick to drive shares up despite any unfavourable nearer-term macro conditions.

If you don't have a personal favourite Canadian bank, I'd urge investors to consider making **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) their go-to banking bet. While the stock doesn't have the most generous upfront dividend, I believe the long-term growth trajectory is by far the most intriguing and completely deserving of a premium price tag.

You see, TD Bank is a more conservative lender, and with its less choppy retail banking business serving as the windsail, it's pretty rare to see the bank drop the ball. With less room for downside surprises, analysts' expectations are usually met or beaten big-time.

Don't miss out on TD Bank's earnings miss

As you're probably aware, beating every single quarter is not possible. In fact, a lack of misses should set the stage for scrutiny over accounting processes as analysts keep raising the bar on every beat.

Misses happen, even to the best stocks, and they should otherwise earnings management could be taking place. Whenever you have a perennial beat-and-raiser like TD Bank posting a sizeable earnings miss, investors should be licking their chops at the opportunity to nab a premium stock at a rare discount.

Canada's banking scene has been gloomy of late, so you can't fault TD Bank's internal processes. The bank's wholesale business may have been a bit of a drag, but the long-term growth story has never looked better.

TD Bank's innovative tech investments are just starting to pay-off (TD Clari, revamped WebBroker), TD Ameritrade is continuing to pick up traction, and with higher quality earnings growth expected to come out of the U.S. market. Over the next two years, TD Bank is the hand-down top bank stock you'll want to own, especially now that Main Street has most of its focus on the abysmal Q1 numbers.

Foolish takeaway

At the time of writing, the stock trades at a 11.1 forward P/E, and a 1.8 P/B, both of which are lower than the company's five-year historical average multiples of 13.4, and 1.9, respectively. When you consider the high-single-digit to low-double-digit in annual EPS growth that's on the horizon, today's valuations make no sense.

Folks are so focused on the near-term after TD Bank's earnings miss such that they've lost sight of the long-term picture which looks very bright. Sure, TD Bank shocked when it delivered a near 10% miss on the bottom-line, but investors need to remember that such a rare flop is not the start of a trend.

It's more than likely a tiny blip that'll be looked at as a rare opportunity to nab TD Bank shares with a yield of 4%.

Stay hungry. Stay Foolish.

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