



Toronto-Dominion Bank (TSX:TD): A Truly Wonderful Stock at an Extremely Fair Price

Description

Warren Buffett would rather buy a wonderful business at a fair price than a fair business at a wonderful price. And I think Foolish investors ought to think about doing the same thing.

Currently, in Canada's banking scene, Canadian investors have the opportunity to pick up both types of companies: wonderfully priced fair businesses and fair-priced wonderful businesses.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)), a resilient banking heavyweight that clocked in an unbelievable second quarter at a time when some of its peers are crumbling like a paper bag, is in the latter category. Despite the [macro headwinds](#) and the [short-sellers](#) who've been doubling down on the bets against the "ill-prepared" Canadian banks as they stumble into the next phase of the credit cycle, TD Bank once again showed everyone that it's in a class of its own and is a king in its own regard.

The shorts sure had some dire things to say about Canada's banks with various predictions that banks would mildly correct or violently crash depending on how bearish the short-seller. While the banks have come across hard times with meagre domestic loan growth, weak capital markets activity, and provision for credit losses (PCLs) creeping up, most short-sellers should have excluded TD Bank from their short theses.

TD Bank has impeccable risk management procedures ingrained in the firm's corporate government, as I mentioned in many prior pieces. With some of the most conservative lending practices, a remarkably wide footprint in the more attractive U.S. market (with more branches south of the border than up here), and below-average volatility from the firm's solid retail businesses, it's not a mystery as to why TD Bank stock surged on the reveal of its Q2 2019 numbers and why the bank was so quick to come roaring out of the gate during the Great Recession.

While it's too early to tell whether TD Bank won this quarter's round of bank earnings, I do think the price of admission will be headed much higher in the weeks and months ahead, as investors begin to channel Warren Buffett by buying premium-quality names at fair prices, rather than those battered "cigar butts."

How good were TD's Q2 results?

The bank clocked in an adjusted EPS of \$1.75, up 8% year over year, crushing the consensus forecast of \$1.68. Better-looking capital markets and U.S. retail banking segments propped up the results, but more important, PCLs and expenses didn't pop dramatically as many bank investors have feared.

Indeed, Canadians have felt a bit of the jitters as the banks pulled the curtain on their results this time around. For those looking for outperformance minus the nail-biting over the next year or so, TD Bank is a fantastic horse to bet on, even after the nice post-earnings jump.

The stock is still pretty cheap relative to what you're getting, and the 3.89% yield is just icing on the cake.

Stay hungry. Stay Foolish.

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