



This Top TSX Bank Stock Is a Tech Play in Disguise

Description

Among the Canadian banks, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) remains a top pick of mine. I've touted this bank in the past for various reasons, but the lender's focus on technology has been the catalyst that can allow this bank to grow long term. The financials sector is a tricky one to invest in, and there have been winners and losers among the Canadian banks. I think TD is poised to continue to be one of the winners in Canada long term.

Technology and innovation key in this sector

In every sector, efficiency-created technologies are becoming increasingly important. In banking, these efficiency gains are needed to a greater degree than in other sectors.

Accordingly, one of the reasons I really like TD is its technological profile relative to its peers. This is a bank that has invested heavily in technology in the past. I've talked at length about the company's foray into [artificial intelligence](#) in the past. The more this bank focuses on its operational efficiency metrics, the better off investors will be. In that regard, I think the stage is set for TD to gain a technological advantage that propels shares forward much quicker than its peers for the foreseeable future.

Recent acquisition could be great for long-term investors

Among its acquisitions of late has been the acquisition of the Canadian equipment financing arm of **Wells Fargo**. While the terms of this deal were not initially disclosed, many expect the deal to be relatively small. That said, this deal could be extremely beneficial for TD from a long-term perspective.

The Canadian bank has worked on diversifying its cash flows. Accordingly, this deal provides further diversification away from the Canadian housing sector. Indeed, financial markets have priced in risks tied to mortgages of late. Further diversification allows for increased defensiveness if we see weakness in one particular sector.

Additionally, one of the hidden gems included in this deal is Wells Fargo's systems for processing loans quickly. This is an under-appreciated piece of the deal that should get more attention, and the piece of the deal I think TD really wanted, as it improves the company's potential for streamlining its loan processes in the future. TD's management team is extremely adept at identifying value where others don't see any, and capitalizing.

Bottom line

TD will continue to find these niche deals moving forward other banks are scared to make, and continue making them. There are a number of technological advantages TD has relative to its Canadian peers I don't think are fully priced into this stock right now.

This is a stock that should be trading at a higher premium multiple over time. Accordingly, I'd recommend long-term investors consider TD at these levels right now.

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