



## Can CIBC Continue to Find Growth?

### Description

**CIBC** ([TSX:CM](#))([NYSE:CM](#)) CEO Gerald McCaughey had every reason to be cheerful as the bank reported adjusted earnings of \$2.31 per share, beating analyst estimates by 17 cents. As he put it, “Our record results this quarter reflect the progress we continue to make in executing our client-focused strategy.”

CIBC earned an additional 48 cents per share from the sale of half its Aerogold credit card portfolio to **Toronto Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). The bank raised its quarterly dividend by \$0.02 to \$0.98 per share – the shares now yield 4.3%.

Retail and business banking performed particularly well, with earnings increasing by 11% year over year. Of course the major headlines for CIBC in Canada have revolved around credit cards. In addition to the Aeroplan deal, CIBC also announced an agreement with **Tim Hortons** (TSX:THI)(NYSE:THI) to launch a co-branded credit card.

Of all the major Canadian banks, CIBC is the one with the biggest focus on Canada, which comes with pluses and minuses. On the plus side, CIBC is the most profitable of Canada’s big five banks, with an adjusted return on equity of 22%. On the minus side, it means that the bank will struggle to find growth opportunities. It also means that CIBC is the most exposed to all the concerns about Canada’s overheated real estate market and sky-high consumer debt levels.

This is reflected in the bank’s multiples; CIBC’s shares still only trade at about 10 times earnings. Meanwhile TD, a bank with poorer profitability but better growth prospects, trades at about 14 times earnings.

One of CIBC’s targeted growth areas is in wealth management, which is of course a very profitable business. The bank’s wealth management division increased Q1 earnings by 28% year over year, driven mainly by the acquisition of Atlantic Trust at the end of last year, adding U.S. \$24 billion in assets under management.

### Foolish bottom line

Although such a statement would have been unthinkable five years ago, CIBC can be considered the most conservative bank among the big five. Certainly the bank's experience in the United States, where it was burned very badly by the financial crisis, plays a part.

For investors who are willing to overlook such a troubling history, CIBC is a compelling option, especially with such a nice dividend yield. Just don't expect too much growth.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:TD (The Toronto-Dominion Bank)

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## **Author**

bensinclair

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