



What to Expect When Bank of Montreal Reports Earnings This Week

Description

Bank of Montreal ([TSX: BMO](#))([NYSE: BMO](#)) is set to publish its quarterly earnings on Wednesday. Last week we saw a number of good reports from the company's peers like **Royal Bank of Canada** ([TSX: RY](#))([NYSE: RY](#)) and **TD Bank** ([TSX: TD](#))([NYSE: TD](#)). However, investors remain concerned about frothiness in the Canadian housing market and the state of the company's expansion into the United States.

Let's take an early look at what has been happening at Bank of Montreal over the past quarter and what we're likely to see in the upcoming report.

Stats on Bank of Montreal

Analyst EPS Estimate	\$1.53
Year-Ago EPS	\$1.46
Revenue Estimate	\$4.05 billion
Change From Year-Ago Revenue	2.80%
Beats in Past 4 Quarters	3

Source: Yahoo! Finance

Can Bank of Montreal's earnings keep growing?

Analysts have become more upbeat about the bank's earnings in recent months, boosting their April

quarterly estimates by \$0.01 and their full-year fiscal 2014 projections by \$0.12 per share. The stock has been climbing in lockstep, up 8% since the start of the year.

Given the solid numbers we saw posted last week from the company's peers, Bank of Montreal investors should be in for a treat. [RBC shares climbed to an all-time high](#) after the company reported strong second quarter results.

[TD reported strong numbers as well](#), posting an adjusted net income of \$2.07 billion, or \$1.09 per diluted share, up 14% versus \$1.82 billion, or \$0.95 per share, last year. Notably, the company posted strong results out of its U.S. banking operations.

However, investors will be keeping an eye on the standard laundry list of issues when Bank of Montreal reports this week.

First off, investors are hoping for a dividend hike. Since the financial crisis, the bank has gotten into the habit of increasing its payout every second or third quarter. It has been six months since the last increase, so investors are hoping for a 2% to 3% hike this week.

As usual, shareholders will be listening closely for updates on the status of the Canadian lending market. One reason for caution is that Canada's housing market is showing signs of fatigue. In cities like Halifax, Winnipeg, and Victoria, prices are already in decline. Other cities, like Toronto and Vancouver, are looking frothy. With [rivals offering promotional teaser rates](#) to boost mortgages volumes, investors will be on the lookout for dreaded "margin compression".

More worrying still are the rising debt levels of Canadian consumers. If interest rates start to rise, then Canadian consumers could be in for a cash flow crunch, resulting in a wave of foreclosures. Expect management to give some colour on the state of the housing market.

Finally, while Bank of Montreal's Canadian operations have helped the company avoid much of the financial crisis over the past few years, the bank's focus seems to be on growing its U.S. business. With its acquisition of Harris Bank, the company has become a major financial player in the Midwest. However, expansion has been spotty in previous quarters. And given the greater competition in this market, the company will have to fight hard against the lower profit margins that its used to in Canada.

In Bank of Montreal's upcoming report, watch the numbers from the company's U.S. operations closely. The Canadian market remains a key source of strength for the bank, but it needs U.S. growth to justify its current earnings multiple.

CATEGORY

1. Investing

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