



Is it Time to Buy Bank of Montreal?

Description

Bank of Montreal ([TSX: BMO](#))([NYSE: BMO](#)), the fourth largest bank in Canada, has just announced fourth-quarter earnings and the results surpassed the expectations of analysts on both the top and bottom lines. However, the company's stock has reacted by making a slight move to the downside, so let's break down the results to determine if we should use this weakness as a long-term buying opportunity or if it's a warning sign.

Better-than-expected results

Here's a summary of the key metrics from Bank of Montreal's fourth-quarter report compared to what analysts had expected and its actual results in the same period a year ago.

Metric	Reported	Expected	Year Ago
Earnings Per Share	\$1.63	\$1.49	\$1.62
Revenue	\$4.34 billion	\$4.03 billion	\$4.01 billion

Source: *Estimize*

Bank of Montreal's adjusted earnings per share increased 0.6% and its adjusted revenue increased 8.2% compared to the fourth quarter of fiscal 2013, as it achieved strong volume growth, including total loans growing 8.5% to \$304.7 billion. Revenue increased in all four of the company's major segments, including 6.8% growth in its Canadian Personal and Commercial Banking segment, 2.5% growth in its U.S. Personal and Commercial Banking segment, 1.8% growth in its BMO Capital Markets segment, and 5.8% growth in its wealth management segment.

Here's a quick breakdown of a few other important statistics and updates from the report:

- Adjusted net income increased 9% to \$2,178 million and the adjusted net interest margin remained unchanged at 1.60%
- 13.7% return on equity compared to 15% in the year-ago period
- 61.1% efficiency ratio compared to 59.3% in the year-ago period

- An effective tax rate of just 16.8% compared to 21.5% in the year-ago period
- Book value of \$48.18 per share

Should you go long Bank of Montreal today?

Bank of Montreal is the fourth largest bank in Canada and the tenth largest in North America, and its growing customer base led it to a very strong fourth-quarter performance. The company reported positive growth in both earnings per share and revenue, which also surpassed the expectations of analysts, but its stock has reacted by making a slight move to the downside.

I think long-term investors should strongly consider using this weakness as a buying opportunity, because at current levels, Bank of Montreal trades at less than 11 times forward earnings estimates, just 1.5 times book value, and has a bountiful 3.8% dividend yield, making it both a value and dividend play today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

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