



## Should You Buy Canadian Western Bank Today?

### Description

**Canadian Western Bank** ([TSX: CWB](#)), the tenth largest bank in Canada in terms of total assets, announced fourth-quarter earnings on December 3 and its stock has fallen more than 10% in the trading days since. The stock has now fallen nearly 20% year-to-date and it is more than 28% below its 52-week high of \$43.30 reached back in August, so let's take a closer look at the results to determine if this sell-off represents a long-term buying opportunity.

### Analyzing the fourth-quarter report

Here's a breakdown of CWB's fourth-quarter earnings results compared to what analysts had expected it to report and its results in the same period a year ago:

Metric	Reported	Expected	Year-Ago
Earnings Per Share	\$0.73	\$0.67	\$0.65
Revenue	\$159.54 million	\$159.14 million	\$150.96 million

Source: *Financial Times*

Canadian Western's adjusted earnings per share increased 12.3% and its adjusted revenue increased 5.7% compared to the fourth-quarter of fiscal 2013. The company's strong earnings per share growth is a direct result of net income attributable to shareholders rising 14% to a record \$58.2 million, while the strong revenue growth is primarily due to a 6.6% increase in net interest income to \$130.77 million.

Here's a quick summary of eight other important statistics and ratios from the report:

1. Total assets increased 11.3% to \$20.61 billion compared to \$18.51 billion in the year-ago period.
2. Total loans increased 12.5% to \$17.51 billion compared to \$15.57 billion in the year-ago period.
3. Total deposits increased 11.1% to \$17.37 billion compared to \$15.63 billion in the year-ago period.
4. Net interest margin of 2.56% compared to 2.72% in the year-ago period.
5. Efficiency ratio of 47.2% compared to 45.5% in the year-ago period.

6. Return on equity of 15% compared to 14.9% in the year-ago period.
7. Return on assets of 1.12% compared to 1.11% in the year-ago period.
8. Book value per share increased 11.9% to \$19.52 compared to \$17.45 in the year-ago period.

Lastly, Canadian Western provided its outlook on fiscal 2015, calling for the following performance compared to fiscal 2014:

- Earnings per share growth in the range of 5%-8%.
- Loan growth in the range of 10%-12%.
- Efficiency ratio of 47% or less.
- Return on equity in the range of 14%-15%.
- Return on assets in the range of 1.07%-1.12%.

### **Should you be a buyer of Canadian Western today?**

Canadian Western Bank is the tenth largest bank in Canada and double-digit loan growth led it to a great performance in the fourth quarter. The company reported a strong 12.3% growth in earnings per share and 5.7% growth in revenue, both of which surpassed analysts' expectations, but its stock has not responded positively, falling more than 10% in the days since the release.

I do not think the sell-off in Canadian Western shares is warranted, especially since its stock now trades at some of the most inexpensive valuations in the industry, including a miniscule 1.6 times its book value per share and only 10.6 times fiscal 2015's earnings estimates. In addition, the company announced a 5% increase in its quarterly dividend to \$0.21 per share, giving it a very healthy 2.7% yield at current levels.

With all of this information in mind, I think long-term investors should take a closer look at Canadian Western Bank and consider initiating positions on any further weakness in the days ahead.

### **CATEGORY**

1. Bank Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:CWB (Canadian Western Bank)

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