Canadian Imperial Bank of Commerce: Paying Dividends Since 1868

Description

A lot has changed since 1868.

Just look at the average person's life since the year after Canada became a country. Electric power still wasn't commonplace, so candles had to be used for light. Crossing the ocean took weeks, and was a much more dangerous journey than today, even after a historically bad year for aviation. And when nature called, the average citizen of the 19th century had to gather up his newspaper and head outdoors.

In the investing world, things were also much different. The wealthiest man in the U.S. was Cornelius Vanderbilt, who was just starting to expand into the sexy new growth industry of the day — railroads — after building his fortune as a steamboat tycoon. In Canada, the economy was incredibly fragmented; there wasn't even a bank in existence that operated in more than one province.

During that year, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), a fledgling new bank headquartered in downtown Toronto, paid investors the first of many dividends. In fact, it hasn't missed a single dividend since, paying investors generously to own shares for 146 consecutive years.

That's the kind of consistency investors should want in their portfolio, but it's certainly not the only reason to own CIBC. Let's take a closer look at some others.

Reasonably valued

It hasn't been a good few months for Canada's banks, which are selling off on concerns of oil sector exposure and Canada's inflated housing market. This has created what some would call a buying opportunity, as shares in CIBC have now dropped nearly 20% from a high set in early December.

This means shares are trading at just 11.5x earnings, a pretty cheap level for a bank that has consistently traded between 12 and 14 times earnings over the past few years. Even from a price-to-book-value perspective, CIBC is relatively cheap, trading at just 1.9x.

The last time CIBC shares traded at this kind of valuation was back in early 2014, when shares were between $85 and $90 each. Considering that shares hit $107 less than a year later, hindsight tells us this valuation is a good entry point.

Strong retail business

After years of being the smallest of the so-called “big five” Canadian banks, CIBC is doing some interesting things to gain market share in the retail market.

It has partnered with Tim Hortons on a new credit card that allows customers to earn free products from Canada’s most popular coffee shop as rewards. It is also the first major bank to allow customers to make a deposit just by taking a picture of a cheque.

These aren’t huge innovations, but in Canada’s hyper-competitive banking oligarchy, every little advantage helps.

Plus, the company’s mortgage business is still growing at a good clip, even after it exited the mortgage broker side of the business. Total mortgages outstanding grew from $106 billion at the end of 2013 to $120 billion at the end of last year, good enough for a 13% growth rate.

An attractive dividend

For bank investors, the dividend is an important part of the equation. CIBC offers investors not only an almost unparalleled history of consistent dividend payments, but also a pretty attractive current yield.

As I type this, the stock yields more than 4.5%, which doesn’t happen very often. Plus, the company pays out just 44% of its earnings to shareholders, giving it ample flexibility to make acquisitions, pay down debt or buy back shares, and even raise the dividend in the future. Investors don’t have to worry about CIBC’s ability to make its next dividend payment.

CIBC should be a good pick for investors going forward. But is it the best bank you can buy? Our top analysts answer that question, plus plenty more about Canada’s banks in our free report on Canadian bank shares. Check it out below!

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Date

2025/08/25
Date Created
2015/01/20
Author
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