



Does Bank of Montreal's Stock Represent a Long-Term Opportunity Today?

Description

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)), the fourth-largest bank in Canada and the 10th largest bank in North America in terms of total assets, released first-quarter earnings before the market opened on February 24. Its stock has remained relatively flat in the trading sessions since. Let's break down the quarterly results to determine if we should consider using this lack of movement as a long-term buying opportunity, or a warning sign to avoid the stock for the time being.

The first-quarter results are in

Here's a breakdown of Bank of Montreal's first-quarter earnings results compared to its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Earnings Per Share	\$1.53	\$1.61
Revenue	\$5.06 billion	\$4.48 billion

Source: Bank of Montreal

Bank of Montreal's earnings per share decreased 5% and its revenue increased 12.9% compared to the first quarter of fiscal 2014. The company's slight drop in earnings per share can be attributed to its adjusted net income decreasing 3.9% to \$1.04 billion, primarily due to declining long-term interest rates. Its double-digit revenue growth can be attributed to non-interest revenue increasing 19.9% to \$2.84 billion, driven by 29.9% growth to \$1.62 billion in its Wealth Management segment.

Here's a quick summary of eight other important statistics and updates from the report compared to the year-ago period:

1. Total assets increased 13.4% to \$672.36 billion
2. Total deposits increased 16.7% to \$429.78 billion
3. Total net loans and acceptances increased 9.6% to \$317.63 billion
4. Net interest margin on average earnings assets contracted 7 basis points to 1.55%

5. Adjusted efficiency ratio contracted 80 basis points to 58.4%
6. Adjusted return on equity contracted 220 basis points to 12.3%
7. Return on average assets contract 10 basis points to 0.63%
8. Book value per share increased 16.2% to \$52.98

Bank of Montreal also announced that it would be maintaining its quarterly dividend of \$0.80 per share in the second quarter. It will be payable on May 26 to shareholders of record at the close of business on May 1.

Should you buy shares of Bank of Montreal today?

Bank of Montreal is the fourth-largest bank in Canada in terms of total assets, and its stock has remained relatively unchanged since it released its first-quarter earnings on the morning of February 24.

I think the lack of movement in Bank of Montreal's stock represents an attractive long-term buying opportunity, because it trades at very low valuations and has a very high dividend yield.

First, at current levels, Bank of Montreal's stock trades at just 11.3 times fiscal 2015's estimated earnings per share of \$6.84 and only 10.7 times fiscal 2016's estimated earnings per share of \$7.26, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 11.6. It also trades at a mere 1.5 times its book value per share of \$52.98.

Second, Bank of Montreal pays an annual dividend of \$3.20 per share, giving its stock a bountiful 4.1% yield at current levels, and I think this makes it both a value and dividend play today.

With all of this information in mind, I think Foolish investors should strongly consider establishing long-term positions in Bank of Montreal today.

CATEGORY

1. Bank Stocks
2. Investing

POST TAG

1. Editor's Choice

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

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