3 Reasons to Buy Canadian Imperial Bank of Commerce Today

Description

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM), the fifth-largest bank in Canada in terms of total assets, has watched its stock fall over 8% in 2015, but it has the potential to be one of the market's top performers over the next several years. Let's take a look at three of the primary reasons why you should consider initiating a long-term position today.

1. Consistent earnings growth to support a higher stock price

On February 26, CIBC released better-than-expected first-quarter earnings results, but its stock has remained relatively flat in the weeks since. Here's a breakdown of eight of the most notable statistics from the report compared to the year-ago period:

1. Adjusted net income increased 0.5% to $956 million
2. Adjusted earnings per share increased 2.2% to $2.36
3. Adjusted revenue increased 4.8% to $3.55 billion
4. Total assets increased 11% to $445.22 billion
5. Total deposits increased 8.1% to $339.88 billion
6. Total net loans and acceptances increased 7.1% to $274.97 billion
7. Total assets under management increased 18.2% to $149.79 billion
8. Book value per share increased 8% to $45.99

2. The stock trades at inexpensive current and forward valuations

At today's levels, CIBC's stock trades at just 10 times fiscal 2015's estimated earnings per share of $9.19 and only 9.5 times fiscal 2016's estimated earnings per share of $9.60, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 11.4.

Also, the company's stock trades at a mere 1.99 times its book value per share of $45.99, which is very inexpensive compared to its market-to-book value of 2.32 at the conclusion of fiscal 2014.

I think CIBC's stock could consistently command a fair multiple of at least 11, which would place its shares upwards of $101 by the conclusion of fiscal 2015 and upwards of $105.50 by the conclusion of fiscal 2016, representing upside of more than 10% and 15% respectively from today's levels.

3. A generous dividend that is on the rise

CIBC pays a quarterly dividend of $1.06 per share, or $4.24 per share annually, which gives its stock a very high 4.6% yield at current levels. The company has also increased its dividend seven times since 2011, and this shows that it is dedicated to maximizing the amount of capital it returns to shareholders.

Should you invest in CIBC today?

Canadian Imperial Bank of Commerce has underperformed the overall market year-to-date, but it has the potential to be one of the best performing stocks from this point forward because it has achieved consistent earnings growth, because its stock trades at inexpensive valuations, and because it pays a very high dividend. Foolish investors should take a closer look at the stock today and strongly consider establishing long-term positions.

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1. Bank Stocks
2. Investing

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1. Editor's Choice

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