Is Canadian Imperial Bank of Commerce the Top Bank Stock to Buy Today?

Description

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM), one of the largest financial institutions in Canada, announced better-than-expected second-quarter earnings results before the market opened on May 28, and its stock responded by rising just over 0.5% in the trading session that followed. Let's take a closer look at the results to determine if we should consider initiating long-term positions today, or if we should wait for a better entry point in the trading sessions ahead.

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Breaking down the better-than-expected results

Here's a summary of CIBC's second-quarter earnings results compared with what analysts had expected and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	$2.28	$2.23	$2.17
Revenue	$3.52 billion	$3.42 billion	$3.30 billion

Source: Financial Times

CIBC's adjusted earnings per share increased 5.1% and its revenue increased 6.6% compared with the second quarter of fiscal 2014. The company's strong earnings-per-share growth can be attributed to its adjusted net income increasing 4.2% to $924 million, driven by 11.8% growth to $255 million in its Wholesale Banking segment and 10.7% growth to $134 million in its Wealth Management segment.

Its very strong revenue growth can be attributed to its non-interest income increasing 9.7% to $1.5 billion, led by mutual fund fees increasing 18% to $354 million, investment management and custodial fees increasing 19.6% to $201 million, underwriting and advisory fees increasing 52.3% to $134 million, and card fees increasing 31% to $114 million.

Here's a quick breakdown of eight other notable statistics from the report compared with the year-ago period:

1. Total assets increased 10.6% to $439.2 billion
2. Total deposits increased 8.7% to $341.19 billion
3. Total loans and acceptances, net of allowance, increased 6.9% to $276.54 billion
4. Total assets under management increased 14.7% to $151.89 billion
5. Net interest income increased 5.4% to $1.9 billion
6. Adjusted efficiency ratio expanded 10 basis points to 59.6%
7. Adjusted return on common shareholders' equity contracted 40 basis points to 20.2%
8. Book value per share increased 12% to $47.08

CIBC also announced a 2.8% increase to its quarterly dividend to $1.09 per share, and the next payment will come on July 28 to shareholders of record at the close of business on June 29.

Is now the time to buy CIBC?

CIBC posted very strong results for the second quarter, so I think the slight post-earnings pop in its stock is warranted, but I also think it should have risen much higher than it did. With this being said, I think its stock could head significantly higher from here because it still trades at very low valuations and has a very high dividend yield.

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First, CIBC's stock trades at just 10.4 times fiscal 2015's estimated earnings per share of $9.21 and only 10 times fiscal 2016's estimated earnings per share of $9.59, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and the industry average multiple of 14.2. It also trades at a mere 2.03 times its book value per share of $47.08, which is very inexpensive compared with its market-to-book value of 2.32 at the conclusion of fiscal 2014.

Second, CIBC now pays an annual dividend of $4.36 per share, giving its stock a 4.55% yield at current levels. The company has also increased its dividend eight times in the last five years, making it one of the top dividend-growth plays in the market today.

With all of the information provided above in mind, I think CIBC represents one of the best long-term investment opportunities in the banking industry today. Foolish investors should take a closer look and strongly consider initiating positions.

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1. Bank Stocks
2. Dividend Stocks
3. Stocks for Beginners

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1. Editor's Choice

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