



3 Reasons to Invest in Canadian Imperial Bank of Commerce Today

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)), Canada's fifth-largest bank in terms of total assets, has posted a very disappointing performance in 2015. It has fallen over 5% while the TSX Composite Index has returned about 3%, but it has the potential to be one of the top performers from this point forward. Let's take a closer look at three catalysts that could make this happen and why you should consider making it a core holding today.

1. Better-than-expected second-quarter results to support rally

CIBC released better-than-expected second-quarter earnings results on the morning of May 28, but its stock has responded by making a slight move to the downside in the trading sessions since. Here's a breakdown of 10 of the most notable statistics from the report compared with the year-ago period:

1. Adjusted net income increased 4.2% to \$924 million
2. Adjusted earnings per share increased 5.1% to \$2.28, surpassing analysts' expectations of \$2.23
3. Revenue increased 6.6% to \$3.52 billion, surpassing analysts' expectations of \$3.42 billion
4. Net interest income increased 5.4% to \$1.9 billion
5. Non-interest income increased 9.7% to \$1.5 billion
6. Total assets increased 10.6% to \$439.2 billion
7. Total deposits increased 8.7% to \$341.19 billion
8. Total loans and acceptances, net of allowance, increased 6.9% to \$276.54 billion
9. Total assets under management increased 14.7% to \$151.89 billion
10. Book value per share increased 12% to \$47.08

2. Its stock trades at inexpensive forward valuations

At today's levels CIBC's stock trades at just 10.8 times fiscal 2015's estimated earnings per share of \$9.26 and only 9.9 times fiscal 2016's estimated earnings per share of \$9.60, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and the industry average multiple of 13.4.

I think CIBC's stock could consistently command a fair multiple of at least 11.5, which would place its

shares upwards of \$106 by the conclusion of fiscal 2015 and upwards of \$110 by the conclusion of fiscal 2016, representing upside of over 11% and 16%, respectively, from current levels.

3. Five consecutive years of dividend increases

CIBC pays a quarterly dividend of \$1.09 per share, or \$4.36 per share annually, which gives its stock a 4.6% yield at today's levels. It has also increased its dividend eight times since 2011, making it one of the top dividend-growth plays in the market today, and its consistent free cash flow generation could allow for another increase in the second half of this year.

Does CIBC belong in your portfolio?

Canadian Imperial Bank of Commerce has the potential to be one of the market's top performing stocks in both the short and long term. It has the support of strong second-quarter earnings results, its stock trades at inexpensive forward valuations, and it has a 4.6% dividend yield with an impressive track record of increasing its annual payment. Foolish investors should strongly consider beginning to scale in to positions today.

CATEGORY

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

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