



## Is Now the Prime Time to Buy Canadian Western Bank?

### Description

**Canadian Western Bank** ([TSX:CWB](#)), one of Canada's 10 largest banks in terms of total assets, announced second-quarter earnings results on the morning on June 5, and its stock has responded by making a slight move to the upside. 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.

### Breaking down the second-quarter results

Here's a summary of CWB's second-quarter earnings results compared with its results in the same period a year ago. All results are from combined operations.

Metric	Q2 2015	Q2 2014
Adjusted Cash Earnings Per Share	\$0.68	\$0.65
Total Revenue	\$159.91 million	\$153.52 million

*Source: Canadian Western Bank*

CWB's adjusted cash earnings per share increased 4.6% and its total revenue increased 4.2% compared with the second quarter of fiscal 2014. The company's strong earnings-per-share growth can be attributed to its adjusted common shareholders' net income increasing 4.5% to \$54.58 million. Its solid revenue growth can be attributed to its net interest income increasing 9% to \$134.89 million, but this growth was largely offset by its non-interest income decreasing 16% to \$25.02 million.

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

1. Total assets increased 9.7% to \$21.52 billion
2. Total loans increased 11.1% to \$18.56 billion
3. Total deposits increased 7.9% to \$17.98 billion

4. Total assets under management increased 8.4% to \$1.91 billion
5. Efficiency ratio expanded 230 basis points to 48.3%
6. Book value per share increased 9% to \$20.19

CWB also announced a 4.8% increase to its quarterly dividend to \$0.22 per share, and the next payment will come on June 25 to shareholders of record at the close of business on June 15.

### **Should you buy in to the rally?**

The second quarter was very successful for Canadian Western Bank, so I think the slight post-earnings pop in its stock is warranted. I also think this could be the start of a sustained rally higher because the stock still trades at attractive forward valuations, and because the company has shown a strong dedication to maximizing shareholder value through the payment of dividends.

First, CWB's stock trades at just 10.7 times fiscal 2015's estimated earnings per share of \$2.67 and only 10 times fiscal 2016's estimated earnings per share of \$2.85, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 13.7 and the industry average multiple of 13.4. It also trades at a mere 1.41 times its book value per share of \$20.19, which is very inexpensive compared with its market-to-book value of 2.01 at the conclusion of the year-ago period.

Second, CWB now pays an annual dividend of \$0.88 per share, which gives its stock a 3.1% yield at today's levels. The company has also increased its dividend 19 times since 2004, making it one of the top dividend-growth plays in the financial sector today.

With all of the information provided above in mind, I think Foolish investors should strongly consider beginning to scale in to long-term positions in Canadian Western Bank today.

### **CATEGORY**

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

### **TICKERS GLOBAL**

1. TSX:CWB (Canadian Western Bank)

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