



3 Reasons Why Shares of Canadian Western Bank Could Rise Over 30%

Description

Canadian Western Bank ([TSX:CWB](#)), one of the 10 largest banking institutions in Canada, has been one of the market's most disappointing stocks in 2015. It has fallen more than 15% as the TSX Composite Index has returned just under 1%, but I think it has bottomed and could be one of the top performers over the next several years. Let's take a look at three of the primary factors that could drive its shares higher and why you should be a long-term buyer today.

1. Its strong Q2 earnings results could support a near-term rally

On the morning of June 5 CWB released very strong second-quarter earnings results, but its stock has responded by falling over 1.5% in the trading sessions since. Here's a breakdown of 10 of the most notable statistics from its report compared with the year-ago period:

1. Adjusted common shareholders' net income increased 4.5% to \$54.58 million
2. Adjusted cash earnings per share increased 4.6% to \$0.68
3. Revenue increased 4.2% to \$159.91 million
4. Net interest income increased 9% to \$134.89 million
5. Non-interest income decreased 16% to \$25.02 million
6. Total assets increased 9.7% to \$21.52 billion
7. Total loans increased 11.1% to \$18.56 billion
8. Total deposits increased 7.9% to \$17.98 billion
9. Total assets under management increased 8.4% to \$1.91 billion
10. Book value per share increased 9% to \$20.19

2. Its stock trades at inexpensive forward valuations

At today's levels CWB's stock trades at just 10.5 times fiscal 2015's estimated earnings per share of \$2.65 and only 9.8 times fiscal 2016's estimated earnings per share of \$2.84, 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 13.2.

I think CWB's stock could consistently command a fair multiple of at least 13, which would place its

shares upwards of \$34.25 by the conclusion of fiscal 2015 and upwards of \$36.75 by the conclusion of fiscal 2016, representing upside of more than 23% and 32%, respectively, from current levels.

3. It has a 3.2% dividend yield with a track record of increases

CWB pays a quarterly dividend of \$0.22 per share, or \$0.88 per share annually, giving its stock a 3.2% yield at today's levels. The company has also increased its dividend for five consecutive years, and 19 times in the last 12 years, making it one of the top dividend-growth plays in the financial sector today.

Is there a place for CWB in your portfolio?

I think Canadian Western Bank could be one of the top performing stocks going forward. Its strong second-quarter earnings results could support a near-term rally, its stock trades at very inexpensive forward valuations, and it has a 3.2% dividend yield with an extensive track record of increasing its annual payment. Foolish investors should take a closer look and strongly consider establishing positions today.

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1. TSX:CWB (Canadian Western Bank)

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Date

2025/08/24

Date Created

2015/06/17

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