



## Is Canadian Imperial Bank of Commerce or National Bank of Canada the Better Buy Today?

### Description

**Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **National Bank of Canada** ([TSX:NA](#)) are two of the largest banking institutions in Canada, and both of their stocks represent very attractive long-term investment opportunities today. However, the laws of diversification state that we cannot own both, so let's take a closer look at the companies' second-quarter earnings results, their stocks' valuations, and their dividend yields to determine which is the better buy today.

### Canadian Imperial Bank of Commerce

CIBC's stock has fallen over 5.5% year-to-date, including a decline of about 1% since it announced better-than-expected second-quarter earnings results on the morning of May 28. Here's a summary of 10 of the most notable statistics from its 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 allowances, 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

At today's levels, CIBC's stock trades at 10.2 times fiscal 2015's estimated earnings per share of \$9.27 and 9.8 times fiscal 2016's estimated earnings per share of \$9.58, both of which are inexpensive compared with the industry average price-to-earnings multiple of 13.2.

In addition, CIBC pays a quarterly dividend of \$1.09 per share, or \$4.36 per share annually, giving its stock a 4.6% yield at current levels. It is also very important to note that the company has increased its

dividend for five consecutive years, and its increase amount of free cash flow could allow this streak to continue for another five years at least.

## **National Bank of Canada**

National Bank's stock has fallen about 2% year-to-date, including a decline of over 1.5% since it announced better-than-expected second-quarter earnings results on the morning of May 27. Here's a summary of 10 of the most notable statistics from its report compared with the year-ago period:

1. Adjusted net income increased 9.6% to \$411 million
2. Adjusted earnings per share increased 9.5% to \$1.15, surpassing analysts' expectations of \$1.12
3. Adjusted revenue increased 11.4% to \$1.50 billion, surpassing analysts' expectations of \$1.42 billion
4. Net interest income increased 7.4% to \$767 million
5. Non-interest income increased 15.9% to \$730 million
6. Total assets increased 6.6% to \$207.12 billion
7. Total deposits increased 10.2% to \$122.05 billion
8. Total loans and acceptances increased 7.2% to \$108.82 billion
9. Total assets under management increased 21.6% to \$48.63 billion
10. Book value per share increased 10.7% to \$27.01

At current levels, National Bank's stock trades at 10.4 times fiscal 2015's estimated earnings per share of \$4.67 and 9.9 times fiscal 2016's estimated earnings per share of \$4.92, both of which are inexpensive compared with the industry average price-to-earnings multiple of 13.2.

Additionally, National Bank pays a quarterly dividend of \$0.52 per share, or \$2.08 per share annually, which gives its stock a 4.3% yield at today's levels. Like CIBC, National Bank has increased its dividend for five consecutive years, and its strong operational performance could allow this streak to continue for many years to come.

## **Which bank is the better buy today?**

After comparing the companies' second-quarter earnings results, their stocks' valuations, and their dividend yields, I think National Bank of Canada represents the better long-term investment opportunity today. Both stocks trades at very attractive forward valuations and CIBC has a slightly higher dividend yield, but National Bank posted much stronger second-quarter results, giving it the edge in this match-up. Long-term investors should take a closer look and strongly consider making National Bank a core holding today.

## **CATEGORY**

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

## **TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)

2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:NA (National Bank of Canada)

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### Date

2025/09/14

### Date Created

2015/06/18

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