



3 Reasons to Buy Canadian Imperial Bank of Commerce Today

Description

Over the years, it's been good to be a shareholder in Canada's Big Five banks.

Canada's banks have been as consistent as the word gets. Even during crises, like the global financial meltdown in 2008-09, they still delivered dividends to shareholders, all while faring much better than most of their American and European counterparts. There were dozens of U.S. banks that ended up taking bailout money from the feds, while Canada's banks just kept on trucking.

Even going further back, Canada's banks have performed well. All of the Big Five have a record of paying dividends without a hitch since the 1800s. **Bank of Montreal** has the best record, paying dividends and delivering good results for shareholders since 1817.

But looking backwards can only tell you so much, since we all invest in the future. Here are three reasons why I think bank investors should like **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) more than its peers.

Attractively valued

Even though Canada's banks look to be pretty similar on the surface, there are subtle differences in the way they're viewed by the market.

CIBC has the vast majority of its assets in Canada, which is making the market a little nervous right now, especially considering our somewhat tepid economy. CIBC also has significant exposure to Canada's housing market, an area that many pundits argue is in a bubble.

Those two factors are keeping the stock down, causing it to trade at a discount to its peers. On a price-to-earnings basis, that's a discount of almost 20% compared with the most expensive in the sector, **Toronto-Dominion Bank**. TD Bank has a current P/E ratio of 12.75, while CIBC's P/E ratio is just 10.45.

That might not seem like much, but look at it this way. Currently, CIBC trades at \$91.87 per share. If it traded at the same P/E ratio that TD Bank enjoys, it would trade at \$112.07 per share. That's some

attractive upside potential, especially for a dividend stock like CIBC.

A nice dividend

Speaking of dividends, there's the argument to be made that CIBC's payout is the most attractive among its peers.

The current yield of 4.75% is terrific, especially when compared with other fixed-income options like Government of Canada bonds or GICs. And even when compared with the bank's peers, it's still the best yield in the sector. The next best is **National Bank of Canada** and its 4.63% yield, followed by **Bank of Nova Scotia** with a 4.45% dividend.

Plus, CIBC has delivered solid dividend growth. Over the last decade, the quarterly dividend has gone from \$0.68 per share to \$1.09 per share for a compound annual growth rate of approximately 5%. While that doesn't seem particularly impressive on the surface, keep in mind it held dividends steady for four years between 2007 and 2011.

Move into wealth management

As Canadians get older and richer, the demand for wealth management is set to grow faster than other banking services, like mortgages or retail banking.

CIBC knows this as well as anyone, and is positioning itself accordingly. Currently, approximately 14% of CIBC's income comes from wealth management, but the company has plans to grow it. This involves a combination of organic growth in Canada, as well as making an acquisition or two in the U.S.

It also involves a more concentrated push into wealth management at the branch level, and working aggressively to attract investors to its online trading platform. In the wealth management business, it's all about assets under management (AUM). If a company can grow AUM, that gives it the potential to sell those clients additional services.

CIBC looks to be a pretty good bet.

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2. Dividend Stocks
3. Investing

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