



Is Canadian Imperial Bank of Commerce a Buy Following its Strong Q3 Report and Dividend Increase?

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)), one of the largest financial institutions in Canada, announced third-quarter earnings results before the market opened on August 27, and its stock has responded by rising over 5%. The company's stock still sits more than 11% below its 52-week high of \$107.37 reached back in September 2014, so let's take a closer look at the results to determine if this could be the start of a sustained rally higher and if we should consider initiating positions today.

The results that ignited the rally

Here's a summary of CIBC's third-quarter earnings results compared with what analysts had expected and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	\$2.45	\$2.31	\$2.23
Revenue	\$3.52 billion	\$3.52 billion	\$3.36 billion

Source: Financial Times

CIBC's adjusted earnings per share increased 9.9% and its revenue increased 4.9% compared with the third quarter of fiscal 2014. The company's very strong earnings-per-share growth can be attributed to its adjusted net income increasing 9% to \$990 million, driven by growth in all three of its major segments, including 6.9% growth to \$638 million in its retail and business banking segment, 15.3% growth to \$275 million in its wholesale banking segment, and 8.3% growth to \$143 million in its wealth management segment.

Its strong revenue growth can be attributed to its net interest income increasing 7.8% to \$2.02 billion, once again driven by growth in all three of its major segments, including 5.2% growth to \$1.5 billion in its retail and business banking segment, 24.8% growth to \$499 million in its wholesale banking

segment, and 4% growth to \$52 million in its wealth management segment.

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

1. Non-interest income increased 1.3% to \$1.5 billion
2. Total assets increased 12.9% to \$457.84 billion
3. Total deposits increased 11.9% to \$360.53 billion
4. Total loans and acceptances, net of allowances, increased 8.8% to \$285.5 billion
5. Total assets under administration increased 10.2% to \$1.89 trillion
6. Total assets under management increased 15.5% to \$158.35 billion
7. Common shareholders' equity increased 16.4% to \$19.87 billion
8. Book value per share increased 16.3% to \$50.02

CIBC also announced a 2.8% increase to its quarterly dividend to \$1.12 per share, marking the fourth consecutive quarter in which it has done so, and the next payment will come on October 28 to shareholders of record at the close of business on September 28.

Is there a place for CIBC in your portfolio?

It was a fantastic quarter overall for CIBC, and the results beat analysts' expectations, so I think the post-earnings pop in its stock was warranted. I also think this could be the start of a sustained rally higher, because the stock still trades at inexpensive valuations and has a high dividend yield with a track record of increasing its payment, which will continue to attract investors.

First, CIBC's stock trades at just 10.3 times fiscal 2015's estimated earnings per share of \$9.26 and only 10 times fiscal 2016's estimated earnings per share of \$9.55, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and the industry average multiple of 12.1. It also trades at a mere 1.90 times its book value per share of \$50.02, which is a major discount compared with its market-to-book value of 2.35 at the end of the year-ago period.

Second, CIBC now pays an annual dividend of \$4.48 per share, which gives its stock a 4.7% yield at today's levels. The company has also increased its annual dividend payment for four consecutive years, and it is currently on pace for 2015 to mark the fifth consecutive year with an increase. Its strong operational performance could allow this streak to continue for many years to come.

With all of the information above in mind, I think Canadian Imperial Bank of Commerce represents one of the best investment opportunities in the financial sector. Foolish investors should strongly consider beginning to scale in to long-term positions today.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Bank Stocks
2. Investing

Date

2025/09/14

Date Created

2015/08/28

Author

jsolitro

default watermark

default watermark