



3 Reasons to Buy Canadian Imperial Bank of Commerce Right Now

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)), Canada's fifth-largest bank in terms of total assets, has watched its stock take a slight hit in 2015, falling just over 6%, but it has the potential to rebound and head significantly higher going forward. Let's take a look at three of the primary reasons why this could happen and why you should buy the stock today.

1. Its very strong earnings results could support a continued rally

On the morning of August 27, CIBC announced very strong earnings results for its three and nine-month periods ending on July 31, 2015, and its stock has responded by rising over 3.5% in the weeks since. Here's a summary of 10 of the most notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Adjusted net income increased 5.6% to \$2.82 billion
2. Adjusted earnings per share increased 5.8% to \$7.09
3. Adjusted total revenue increased 6.2% to \$10.72 billion
4. Total assets increased 12.9% to \$457.84 billion
5. Total deposits increased 11.9% to \$360.53 billion
6. Total loans and acceptances, net of allowance, increased 8.8% to \$285.5 billion
7. Total assets under administration increased 10.2% to \$1.89 trillion
8. Total assets under management increased 15.5% to \$158.35 billion
9. Common shareholders' equity increased 16.4% to \$19.87 billion
10. Book value per share increased 16.3% to \$50.02

2. Its stock trades at inexpensive forward valuations

At current levels, CIBC's stock trades at just 9.9 times fiscal 2015's estimated earnings per share of \$9.41 and only 9.7 times fiscal 2016's estimated earnings per share of \$9.68, 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.

I think CIBC's stock could consistently command a fair multiple of at least 11, which would place its

shares upwards of \$103 by the conclusion of fiscal 2015 and upwards of \$106 by the conclusion of fiscal 2016, representing upside of more than 10% and 13%, respectively, from today's levels.

3. It is both a high-dividend and dividend-growth play

CIBC pays a quarterly dividend of \$1.12 per share, or \$4.48 per share annually, which gives its stock a 4.8% yield at current levels. It has also increased its dividend nine times since 2011, resulting in five consecutive years of increases, and its increased amount of free cash flow could allow this streak to continue for the foreseeable future.

Should you add CIBC to your portfolio?

I think Canadian Imperial Bank of Commerce could be one of the market's top performing stocks in both the short and long term. Its strong earnings results in the first nine months of fiscal 2015 could support a continued rally, its stock trades at inexpensive forward valuations, and it is both a high-dividend and dividend-growth play, which will continue to attract income investors. All Foolish investors should take a closer look and consider initiating positions today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/09/14

Date Created

2015/09/15

Author

jsolitro

default watermark