



Bank of Montreal's Adjusted Q4 EPS Soars 16.6%: Is Now the Time to Buy?

Description

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)), the fourth-largest bank in Canada and the eighth-largest bank in North America in terms of total assets, announced better-than-expected fourth-quarter earnings results on the morning of December 1, and its stock has responded by rising about 1%. 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 buy the stock today.

Blowing past analysts' expectations with ease

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

Metric	Q4 2015 Actual	Q4 2015 Expected	Q4 2014 Actual
Adjusted Earnings Per Share	\$1.90	\$1.74	\$1.63
Total Revenue	\$4.98 billion	\$4.82 billion	\$4.64 billion

Source: *Financial Times*

Bank of Montreal's adjusted earnings per share increased 16.6% and its revenue increased 7.4% compared with the fourth quarter of fiscal 2014. The company's double-digit percentage increase in earnings per share can be attributed to its adjusted net income increasing 13.8% to \$1.26 billion, driven by 27.2% growth to \$243 million in its BMO Capital Markets segment and 21.4% growth to \$221 million in its U.S. Personal & Commercial Banking segment.

Its very strong revenue growth can be attributed to its net interest income increasing 8.7% to \$2.37 billion, led by 38.9% growth to \$364 million in its BMO Capital Markets segment, and its non-interest income increasing 6.2% to \$2.62 billion, led by 22.3% growth to \$203 million in its U.S. P&C segment.

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

1. Revenue, net of insurance claims, commissions, and changes in policy benefit liabilities, increased 8.7% to \$4.72 billion
2. Total assets increased 9% to \$641.88 billion
3. Total deposits increased 11.5% to \$438.17 billion
4. Total loans and acceptances increased 10.2% to \$334.02 billion
5. Total common shareholders' equity increased 15.7% to \$36.18 billion
6. Book value per share increased 16.9% to \$56.31

Bank of Montreal also announced a 2.4% increase to its quarterly dividend to \$0.84 per share, and the next payment will come on February 26, 2016 to shareholders of record at the close of business on February 1, 2016.

Should you buy Bank of Montreal today?

It was a phenomenal quarter overall for Bank of Montreal, and the results surpassed analysts' expectations, so I think its stock has responded correctly by rising. I also think this could be the start of a sustained rally higher and that the stock represents a great long-term investment opportunity today, because it still trades at inexpensive forward valuations and because it has a high dividend and is dividend-growth play.

First, Bank of Montreal's stock still trades at just 11.1 times fiscal 2015's adjusted earnings per share of \$7.00 and only 10.9 times fiscal 2016's estimated earnings per share of \$7.17, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.5 and the industry average multiple of 12.4. It also trades at a mere 1.38 times its book value per share of \$56.31, which is very inexpensive compared with its market-to-book value of 1.70 at the conclusion of fiscal 2014.

At the very least, I think the company's stock should trade at 12 times earnings, which would place its shares upwards of \$86 by the conclusion of fiscal 2016, representing upside of more than 10% from today's levels.

Second, Bank of Montreal now pays an annual dividend of \$3.36 per share, giving its stock a 4.3% yield. It is also important to note that this increase puts the company on pace for 2016 to mark the fourth consecutive year in which it has increased its annual dividend payment, and it has a target dividend-payout range of 40-50% of net income, so its consistent growth could allow this streak to continue for the next several years.

With all of the information provided above in mind, I think Foolish investors should strongly consider beginning to scale in to long-term positions in Bank of Montreal today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/09/30

Date Created

2015/12/01

Author

jsolitro

default watermark

default watermark