



Should You Buy or Avoid Canadian Imperial Bank of Commerce After its Q4 Report?

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)), the fifth-largest bank in Canada in terms of total assets, announced fourth-quarter earnings results on the morning of December 3, and its stock has responded by falling over 1%. Let's break down the quarterly results and the fundamentals of the stock to determine if this weakness represents a long-term buying opportunity or a warning sign.

A quarter of strong top- and bottom-line growth

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

Metric	Q4 2015 Actual	Q4 2015 Expected	Q4 2014 Actual
Adjusted Earnings Per Share	\$2.36	\$2.34	\$2.24
Revenue	\$3.48 billion	\$3.59 billion	\$3.21 billion

Source: *Financial Times*

CIBC's adjusted earnings per share increased 5.4% and its revenue increased 8.4% compared with the fourth quarter of fiscal 2014. Its strong earnings-per-share growth can be attributed to its adjusted net income increasing 4.5% to \$952 million, driven by 6.5% growth to \$656 million in its Retail and Business Banking segment and 4% growth to \$129 million in its Wealth Management segment.

Its very strong revenue growth can be attributed to growth in all three of its business segments, including 6.7% growth to \$2.18 billion in its Retail and Business Banking segment, 4.3% growth to \$609 million in its Wealth Management segment, and 23.7% growth to \$579 million in its Capital Markets segment.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Net interest income increased 8.6% to \$2.04 billion
2. Non-interest income increased 8.1% to \$1.44 billion
3. Total assets increased 11.7% to \$463.31 billion
4. Total deposits increased 12.7% to \$366.66 billion
5. Total loans and acceptances, net of allowance, increased 8.5% to \$290.98 billion
6. Total assets under administration increased 8.4% to \$1.85 trillion
7. Total assets under management increased 12.2% to \$170.47 billion
8. Total common shareholders' equity increased 15.8% to \$20.36 billion
9. Book value per share increased 15.7% to \$51.25
10. Adjusted efficiency ratio remained unchanged at 60.4%

CIBC also announced a 2.7% increase to its quarterly dividend to \$1.15 per share, its fifth consecutive quarterly increase, and the next payment will come on January 28, 2016 to shareholders of record at the close of business on December 29, 2015.

Should you buy CIBC on the dip?

It was an outstanding quarter overall for CIBC, so I think its stock should have reacted by rising. With this being said, I think the drop represents nothing more than a long-term buying opportunity, especially because the stock now trades at even more attractive valuations and because it is one of the top dividend plays in the market.

First, CIBC's stock now trades at just 10.5 times fiscal 2015's adjusted earnings per share of \$9.45 and only 10.3 times fiscal 2016's estimated earnings per share of \$9.66, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and the industry average multiple of 13.

It also trades at just 1.94 times its book value per share of \$51.25, which is very inexpensive compared with its market-to-book value of 2.32 at the conclusion of fiscal 2014 and its five-year average market-to-book value of 2.17.

At the very least, I think CIBC's stock should trade at 12 times earnings, which would place its shares around \$116 by the conclusion of fiscal 2016, representing upside of more than 16% from today's levels.

Second, CIBC now pays an annual dividend of \$4.60 per share, which gives its stock a 4.6% yield. Investors should also make two important notes. First, the company has increased its annual dividend payment for five consecutive years, and it is currently on pace for 2016 to mark the sixth consecutive year with an increase. Second, it has a target dividend-payout ratio of 40-50% of net earnings, so its consistent growth should allow this streak to continue for the next several years.

With all of the information provided above in mind, I think Canadian Imperial Bank of Commerce represents one of the best long-term investment opportunities in the market today. All Foolish investors should strongly consider using the post-earnings weakness to begin scaling in to positions.

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Date

2025/09/13

Date Created

2015/12/03

Author

jsolito

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