3 Reasons to Buy Canadian Imperial Bank of Commerce for 2016 and Beyond

Description

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM), the fifth-largest bank in Canada in terms of total assets, has watched its stock fall over 6% in 2015, but it is one of my top stock picks for 2016 and beyond for three primary reasons. Let's take a closer look at these reasons, so you can determine if you should buy the stock today.

1. Its strong financial performance could support a higher share price

On the morning of December 3, CIBC released very strong earnings results for its fiscal year ended on October 31, 2015. Here's a summary of 10 of the most important statistics from fiscal 2015 compared with fiscal 2014:

1. Adjusted net income increased 4.5% to $3.82 billion
2. Adjusted earnings per share increased 5.7% to $9.45
3. Total revenue increased 3.7% to $13.86 billion
4. Total assets increased 11.7% to $463.31 billion
5. Total deposits increased 12.7% to $366.66 billion
6. Total loans and acceptances, net of allowance, increased 8.5% to $290.98 billion
7. Total assets under administration increased 8.4% to $1.85 trillion
8. Total assets under management increased 12.2% to $170.47 billion
9. Total common shareholders' equity increased 15.8% to $20.36 billion
10. Book value per share increased 15.7% to $51.25

2. It is one of the market's top value plays

At today's levels, CIBC's stock trades at just 9.9 times fiscal 2015's adjusted earnings per share of $9.45, only 9.7 times fiscal 2016's estimated earnings per share of $9.66, and a mere 9.2 times fiscal 2017's estimated earnings per share of $10.10, all of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and the industry average multiple of 12.8.

With the multiples above and its estimated 4.7% long-term earnings growth rate in mind, I think CIBC's stock could consistently trade at a fair multiple of about 12, which would place its shares around $116 by the conclusion of fiscal 2016 and upwards of $121 by the conclusion of fiscal 2017, representing upside of more than 24% and 29%, respectively, from current levels.

3. It has a high dividend yield with an active streak of annual increases

CIBC pays a quarterly dividend of $1.15 per share, or $4.60 per share annually, which gives its stock a 4.9% yield, and this is more than double the industry average yield of 2.3%.

It is also very important for investors to make three notes. First, CIBC has raised its dividend for five consecutive quarters. Second, the company has raised 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. Third, it has a target dividend-payout ratio of 40-50% of net earnings, so its consistent earnings growth should allow this streak to continue for the next several years.

Should CIBC be atop your buy list for 2016?

Canadian Imperial Bank of Commerce represents one of the best long-term investment opportunities in the market today, so all Foolish investors should strongly consider beginning to scale in to positions before the end of the year.

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