



## Bank of Montreal's Adjusted Q1 EPS Climbs 14.4%: Should You Be a Buyer?

### 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 first-quarter earnings results on the morning of February 23, but its stock responded by making a slight move lower in the day's trading session.

Let's take a closer look at the results and the fundamentals of its stock to determine if this weakness represents a long-term buying opportunity or a warning sign.

### Beating the expectations with ease

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

Metric	Q1 2016 Actual	Q1 2016 Expected	Q1 2015 Actual
Adjusted Earnings Per Share	\$1.75	\$1.72	\$1.53
Adjusted Revenue	\$5.16 billion	\$4.92 billion	\$5.06 billion

*Source: Financial Times*

Bank of Montreal's adjusted earnings per share increased 14.4% and its revenue increased 2.1% compared with the first quarter of fiscal 2015.

The company's very strong earnings-per-share growth can be attributed to its adjusted net income increasing 13.2% to \$1.18 billion, driven by 5.2% growth to \$530 million in its Canadian Personal & Commercial Banking segment, 28.8% growth to \$264 million in its U.S. Personal & Commercial Banking segment, and 18.2% growth to \$260 million in its BMO Capital Markets segment.

Its slight revenue growth can be attributed to its net interest income increasing 14.5% to \$2.48 billion, driven by 5.8% growth to \$1.25 billion in its Canadian Personal & Commercial Banking segment,

28.6% growth to \$877 million in its U.S. Personal & Commercial Banking segment, and 10.6% growth to \$429 million in its BMO Capital Markets 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 11.3% to \$4.79 billion
2. Total assets increased 4% to \$699.29 billion
3. Total deposits increased 9.6% to \$470.84 billion
4. Total net loans increased 12.5% to \$345 billion
5. Total common shareholders' equity increased 11.7% to \$41.59 billion
6. Book value per share increased 12.5% to \$59.61

Bank of Montreal also announced that it will be maintaining its quarterly dividend of \$0.84 per share, and the next payment will come on May 26 to shareholders of record at the close of business on May 2.

### **Should you buy or avoid Bank of Montreal's stock today?**

The first quarter was a great success for Bank of Montreal, and its results beat analysts' expectations, so I think the slight drop in its stock was simply a result of weakness in the overall market. With this being said, I think the stock represents a very attractive long-term investment opportunity today for two reasons in particular.

First, it's undervalued. Bank of Montreal's stock now trades at just 10.3 times fiscal 2016's estimated earnings per share of \$7.14 and only 9.7 times fiscal 2017's estimated earnings per share of \$7.55, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and the industry average multiple of 12.8. It also trades at a mere 1.23 times its book value per share of \$59.61, which is very inexpensive compared with its five-year average market-to-book value of 1.53.

Second, it has a great dividend. Bank of Montreal pays an annual dividend of \$3.36 per share, which gives its stock a high and safe yield of about 4.6%. Investors must also note that the company has raised its annual dividend payment for four consecutive years, and its recent increases, including its 2.4% hike in December 2015, has it on pace for 2016 to mark the fifth consecutive year with an increase.

With all of the information provided above in mind, I think Foolish investors should strongly consider using the weakness in Bank of Montreal's stock to begin scaling in to long-term positions.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:BMO (Bank of Montreal)

2. TSX:BMO (Bank Of Montreal)

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**Author**

jsolitro

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