



## Is Canadian Imperial Bank of Commerce a Buy After its Strong Q1 Results and Dividend Hike?

### Description

**Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), the fifth-largest bank in Canada, announced first-quarter earnings results and a dividend increase before the market opened this morning, and its stock responded by rising over 1%. Let's take a closer look at the quarterly report to determine if we should consider buying into this rally or if we should wait for it to subside.

### A strong quarter of top- and bottom-line growth

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

Metric	Q1 2016 Actual	Q1 2016 Expected	Q1 2015 Actual
Adjusted Earnings Per Share	\$2.55	\$2.41	\$2.36
Revenue	\$3.59 billion	\$3.66 billion	\$3.46 billion

Source: *Financial Times*

CIBC's adjusted earnings per share increased 8.1% and revenue increased 3.7% compared with the first quarter of fiscal 2015.

Its very strong earnings-per-share growth can be attributed to its adjusted net income increasing 7.6% to \$1.03 billion, driven entirely by a 12.1% increase to \$686 million in its Retail and Business Banking segment.

Its strong revenue growth can be attributed to its net interest income increasing 7.7% to \$2.11 billion, driven by growth in all three of its major segments, including 4.9% growth to \$1.53 billion in its Retail and Business Banking segment, 15.5% growth to \$537 million in its Capital Markets segment, and 2% growth to \$52 million in its Wealth Management segment.

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

1. Total assets increased 7.6% to \$479.03 billion
2. Total deposits increased 11% to \$377.23 billion
3. Total loans and acceptances, net of allowance, increased 9.6% to \$301.3 billion
4. Total assets under administration increased 2.1% to \$1.83 trillion
5. Total assets under management increased 4.4% to \$169.39 billion
6. Cash, deposits with banks, and securities increased 22.6% to \$91.13 billion
7. Total common shareholders' equity increased 13.7% to \$20.77 billion
8. Book value per share increased 14.3% to \$52.56

### **Dividend hike? Yes, please**

CIBC also announced a 2.6% increase to its quarterly dividend to \$1.18 per share, and the next payment will come on April 28 to shareholders of record at the close of business on March 28.

### **Should you be a long-term buyer of CIBC today?**

It was a phenomenal quarter overall for CIBC, and its dividend hike was icing on the cake, so I think the market has responded correctly by sending its shares higher. 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 for two reasons.

First, it's wildly undervalued. CIBC's stock trades at just 9.3 times fiscal 2016's estimated earnings per share of \$9.56 and only nine times fiscal 2017's estimated earnings per share of \$9.86, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.2 and the industry average multiple of 12.6. It also trades at a mere 1.7 times its book value per share of \$52.56, which is a major discount compared with its five-year average market-to-book value of 2.15.

With the multiples above and its estimated 4.7% long-term earnings growth rate in mind, I think CIBC's stock could consistently trade around 12 times earnings, which would place its shares upwards of \$118 by the conclusion of fiscal 2017, representing upside of over 32% from today's levels.

Second, it has one of the best dividends in the market. CIBC now pays an annual dividend of \$4.72 per share, which gives its stock a very high and very safe yield of about 5.3%. It is also important for investors to note that the company has raised its quarterly dividend for six consecutive quarters and 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.

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 making it a core holding.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks

3. Investing

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

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jsolitto

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