



Should You Buy Canadian Imperial Bank of Commerce or National Bank of Canada Today?

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) and **National Bank of Canada** ([TSX:NA](#)) are the fifth- and sixth-largest banks in Canada in terms of total assets, and both of their stocks represent intriguing investment opportunities.

However, the laws of diversification clearly state that we cannot own both, so let's compare their first-quarter earnings results, their stocks' valuations, and their dividends to determine which is the better long-term buy today.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce, or CIBC for short, is the fifth-largest bank in Canada. Its stock has risen over 5% year-to-date, including a rally of more than 9% since it released its first-quarter earnings results on February 25. Here's a breakdown of 10 of the most notable statistics from its first quarter of fiscal 2016 compared with the same period in fiscal 2015:

1. Adjusted net income increased 7.6% to \$1.03 billion
2. Adjusted earnings per share increased 8.1% to \$2.55
3. Total revenue increased 3.7% to \$3.59 billion
4. Total assets increased 7.6% to \$479.03 billion
5. Total deposits increased 11% to \$377.23 billion
6. Total loans and acceptances, net of allowance, increased 9.6% to \$301.3 billion
7. Total assets under administration increased 2.1% to \$1.83 trillion
8. Total assets under management increased 4.4% to \$169.39 billion
9. Total common shareholders' equity increased 13.7% to \$20.77 billion
10. Book value per share increased 14.3% to \$52.56

At today's levels, CIBC's stock trades at 10 times fiscal 2016's estimated earnings per share of \$9.58 and 9.7 times fiscal 2017's estimated earnings per share of \$9.84, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.1 and the industry average

multiple of 13.3. It also trades at 1.82 times its book value per share of \$52.56, which is a discount compared with its five-year average market-to-book value of 2.13.

In addition, CIBC pays a quarterly dividend of \$1.18 per share, or \$4.72 per share annually, which gives its stock a yield of about 4.9%. It is also important to note that it has raised its dividend for six consecutive quarters and it has raised its annual dividend payment for five consecutive years, and its four hikes in the last 12 months has it on pace for 2016 to mark the sixth consecutive year with an increase.

National Bank of Canada

National Bank of Canada is the sixth-largest bank in Canada. Its stock has risen over 3% year-to-date, including a rally of more than 8% since it released its first-quarter earnings results on February 23. Here's a breakdown of 10 of the most notable statistics from its first quarter of fiscal 2016 compared with the same period in fiscal 2015:

1. Adjusted net income increased 4.1% to \$427 million
2. Adjusted earnings per share increased 2.6% to \$1.17
3. Adjusted revenue on a taxable equivalent basis increased 4.9% to \$1.53 billion
4. Total assets increased 2.3% to \$219.3 billion
5. Total deposits increased 9.9% to \$131.06 billion
6. Total loans and acceptances increased 10.4% to \$118.51 billion
7. Total assets under administration decreased 3.2% to \$302.83 billion
8. Total assets under management increased 6.9% to \$49.9 billion
9. Total equity increased 8.8% to \$11.41 billion
10. Book value per share increased 5.5% to \$27.77

At today's levels, National Bank's stock trades at nine times fiscal 2016's estimated earnings per share of \$4.63 and 8.7 times fiscal 2017's estimated earnings per share of \$4.79, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 10 and the industry average multiple of 13.3. It also trades at 1.5 times its book value per share of \$27.77, which is a discount compared with its five-year average market-to-book value of 1.84.

In addition, National Bank pays a quarterly dividend of \$0.54 per share, or \$2.16 per share annually, which gives its stock a yield of about 5.2%. It is also important to note that it has raised its annual dividend payment for five consecutive years, and its two hikes in the last 12 months has it on pace for 2016 to mark the sixth consecutive year with an increase.

Which bank is the better buy today?

Here's how each company ranks when comparing their first-quarter earnings results, their stocks' valuations, and their dividends:

Metric	CIBC	National Bank
Q1 Earnings Strength	1	2

Forward P/E Valuation – 2016	2	1
Forward P/E Valuation – 2017	2	1
Market-to-Book Value	2	1
Dividend Yield	2	1
Dividend Growth	1	2
Average Ranking	1.67	1.33

As the chart above depicts, CIBC reported stronger first-quarter earnings results, and it has a more impressive track record of raising its dividend, but National Bank's stock trades at more attractive valuations, and it has a higher dividend yield, giving it the edge in this match up.

With all of this being said, I think both banks represent great long-term investment opportunities today, so all Foolish investors should strongly consider making one of them a core holding.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:NA (National Bank of Canada)

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Author

jsolitro

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