This Passive-Income Machine Hasn't Missed a Dividend in 148 Years

Description

A lot was happening in 1868.

The nation of Canada was just a year old, consisting of four provinces–Ontario, Quebec, Nova Scotia, and New Brunswick (note that Ontario and Quebec were just a fraction of the size of today). Helium was first observed by a French scientist who mistakenly thought it was sodium. Emperor Meiji of Japan formally changed the name of the nation's capital from Edo to Tokyo. And Civil War hero Ulysses S. Grant was elected as the 18th president of the United States.

And although it wasn't an important piece of news back then, a small Toronto-based bank founded by William McMaster paid its first dividend to investors. This bank, The Canadian Bank of Commerce, continued to grow throughout the next decades, eventually merging with another bank, Imperial Bank of Canada, in 1961. Together, the two entities formed **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), becoming one of Canada's financial superpowers.

The last 55 years have been good for CIBC. Sure, the company has had to deal with things such as the energy crisis of the 1970s, high interest rates, the popping of regional housing bubbles in both Calgary and Toronto, the collapse of the tech bubble, a $2.5 billion settlement to regulators for its role in the Enron case and, perhaps the biggest roadblock of all, the 2008-09 crisis, which shook North American banks to their cores.

And yet, throughout all of this, CIBC not only survived but thrived. Shares marched steadily upwards, making many investors rich in the process. And the company continued to pay dividends, even during the financial crisis. In fact, CIBC hasn't missed paying investors a dividend since 1868. It has a perfect record.

Set up well for the next 148 years

In many ways, CIBC is better prepared to be a dividend superstar in the future.

Think back to 1868. Canada's economy was very limited compared to today. Sure, bankers had rules, but they were very primitive compared to today's regulations. It was a lot easier for a crook or a swindler to get money from a bank than it is today.

CIBC is a diverse financial institution. The company has more than 11 million clients in Canada, serviced by 43,000 employees working in more than 1,100 branches in every province and territory. Over the last 12 months, it made $3.9 billion in profit on revenue of $14.5 billion. And that's after dealing with a tepid Canadian economy and the aftermath of oil's historic decline, something that really hit borrowers in affected regions.

One thing that concerns investors is the company's Canadian focus. Unlike its peers in the so-called Big Five, CIBC doesn't have significant operations outside of Canada. But management is beginning to change that, starting with several acquisitions of wealth management businesses in the United States. Look for the company to continue this trend, perhaps even moving its target to a regional bank.

CIBC was a small regional player 148 years ago. These days, it's a diversified financial behemoth. This size and extended reach is good news for dividend investors.

An attractive dividend

Not only does CIBC have dividend history on its side, it also has a record of consistently rewarding shareholders with dividend increases.

The last year is a great example of that. At the end of 2014 the company paid a quarterly dividend of $1.03 per share. In each of the next five quarters, the company hiked the dividend $0.03 per share, approximately 3%, each quarter. These days the quarterly payout is $1.18 per share with a payout ratio still under 50%.

Combine that kind of dividend growth with a stock that currently yields 4.9%, and it's easy to see why CIBC is a core holding in many income investors' portfolios. And, most importantly, it's unlikely the company will cut the dividend in hard times. After all, would you want to be the CEO that broke the nearly century-and-a-half streak of paying dividends?

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)

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/08
Date Created
2016/03/30
Author
nelsonpsmith