



Canadian Imperial Bank of Commerce Reports Strong Q2 Results, Hikes Dividend: Should You Buy Now?

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)), the fifth-largest bank in Canada, announced strong second-quarter earnings results and a dividend hike before the market opened on May 26, but its stock has responded by moving lower. Let's break down the quarterly report to determine if we should use this weakness as a long-term buying opportunity or if we should wait for an even better entry point in the trading sessions ahead.

The results that came in mixed compared with expectations

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

Metric	Q2 2016 Actual	Q2 2016 Expected	Q2 2015 Actual
Adjusted Diluted Earnings Per Share	\$2.40	\$2.31	\$2.28
Total Revenue	\$3.63 billion	\$3.66 billion	\$3.39 billion

Source: *Financial Times*

CIBC's adjusted diluted earnings per share increased 5.3% and its total revenue increased 7% compared with the second quarter of fiscal 2015.

Its strong earnings-per-share growth can be attributed to its adjusted net income increasing 4.1% to \$962 million, and this was driven by 6.5% growth to \$623 million in its Retail and Business Banking segment and 6.1% growth to \$260 million in its Capital Markets segment.

Its very strong revenue growth can be attributed to its net interest income increasing 7.5% to \$2.04 billion, driven by 8% growth to \$1.51 billion in its Retail and Business Banking segment, and its non-interest income increasing 6.3% to \$1.59 billion, driven by 9.2% growth to \$225 million in its Capital Markets segment.

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

1. Adjusted revenue increased 5.2% to \$3.7 billion
2. Total assets increased 8.9% to \$478.14 billion
3. Total deposits increased 8.1% to \$368.71 billion
4. Total loans and acceptances, net of allowance, increased 9.8% to \$303.76 billion
5. Total assets under administration decreased 0.9% to \$1.88 trillion
6. Total assets under management increased 2.2% to \$169.62 billion
7. Total common shareholders' equity increased 13.4% to \$20.59 billion
8. Book value per share increased 10.8% to \$52.16

Another dividend hike? Yes, please!

CIBC also announced a 2.5% increase to its quarterly dividend to \$1.21 per share, its seventh consecutive quarterly increase, and its next payment will come on July 28 to shareholders of record at the close of business on June 28.

Should you buy or avoid CIBC today?

It was another highly successful quarter for CIBC, and its seventh consecutive quarterly dividend increase was a nice buffer, so I think the market should have responded by sending its stock significantly higher. With this being said, I think the weakness in its stock represents a great buying opportunity for the long term for two reasons in particular.

First, it's a value play. CIBC's stock trades at just 10.7 times fiscal 2016's estimated earnings per share of \$9.57 and only 10.4 times fiscal 2017's estimated earnings per share of \$9.87, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 11.4, its five-year average multiple of 11, and the industry average multiple of 13.4. These multiples are also inexpensive given its estimated 4.5% long-term earnings growth rate.

Second, it has one of the market's best dividends. CIBC now pays an annual dividend of \$4.84 per share, which gives its stock a very high and very safe yield of about 4.7%. Investors must also note that it has raised its annual dividend payment for five consecutive years, and its numerous hikes over the last year have it on pace for 2016 to mark the sixth consecutive year with an increase.

With all of the information provided above in mind, I think all Foolish investors should strongly consider investing in Canadian Imperial Bank of Commerce today.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Bank Stocks
2. Investing

Date

2025/07/08

Date Created

2016/05/26

Author

jsolitro

default watermark

default watermark