



Bank of Montreal Cuts Jobs and Trims Costs

Description

It's earnings season for banks once again.

Over the next few days the big banks will provide an update as well as an outlook to the next quarter.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) was the first company to announce those earnings. Here's what the company announced and what we can look forward to in the next quarter.

Quarterly results

BMO reported net profit of \$973 million, or \$1.45 per share. This represents a drop of \$26 million or \$0.04 per share when compared with the same quarter last year. This drop reflects a \$132 million after-tax restructuring charge. Earnings per share came in at \$1.45, representing a drop of 3% over the same quarter last year.

On an adjusted basis, earnings came in at \$1.152 billion, or \$1.73 per share, an increase over the \$1.146 billion of \$1.71 per share reported for the same quarter last year. Adjusted EPS and net income were up by 8% and 7%, respectively.

The company continued to shore up a fund to handle credit losses. The fund now stands at \$201 million compared with the \$161 million the company had in the fund during the last quarter. Banks have been steadily increasing the amount of funds allocated to these accounts over the past few quarters as spillover from the weak oil sector and now the aftermath of the fires in Alberta will put a strain on finances.

BMO has long been regarded as one of the best dividend stocks on the market, distributing between 40% and 50% of earnings for well over 150 years to shareholders. This trend continues to prove true going into the next quarter. The company announced that, effective August 26, the quarterly dividend will increase to \$0.86 per share, giving the company an impressive yield of 4.08%.

Looking ahead to the rest of 2016

While the results did show some promise and some improvements, one aspect of concern was that of

cuts. BMO announced that it would be cutting nearly 4% of its workforce, or 1,850 positions. The bank noted that changing consumer trends to perform more functions online as well as technological advancements necessitated the cuts as more of the operation is becoming digitized.

This is the second quarter of declining staff for the company. Last quarter saw a decrease of over 600 employees. The \$1,332 million restructuring charge the company made note of will be allocated to severance costs for those employees.

BMO is not the only bank to be in the midst of this change. The weak economy, difficult loan market, and advancing technology is forcing all banks to become more aggressive in terms of cost savings, and top up funds are being used for provisional losses from defaults.

In my opinion, BMO remains a great opportunity for investors looking to add a bank to their portfolio that not only has a great dividend, but also has impressive growth, great financials, and a good mix of assets across both domestic and international markets.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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