



## Bank of Montreal Continues to Succeed: Time to Buy?

### Description

If you'd taken advantage of the Brexit scare last Friday and the beginning of this week, you might've picked up some bank assets that dropped in price rather quickly. When there is chaos, it can be a great time to buy. But if you didn't, you might be disappointed and unsure what's worth picking up.

One company I believe is worthy of your consideration is **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). Unlike some of its larger competitors, BMO doesn't really get talked about a lot; however, I believe this is a mistake because it's in a prime position to continue growing and succeeding.

On the surface, investors might not think the company is succeeding primarily because of the \$26 million drop in net profit year over year, but it still earned \$973 million, or \$1.45 per share. But when you look at the net income and adjusted EPS, they were both up 7% and 8%, respectively. Even during a tightening economy the company saw growth. That should be applauded.

The primary reason for this growth was because of a 12% increase in loans and a 5% increase in deposits year over year. The bulk of the growth was south of the border with the U.S. banking division reporting a 29% increase in net income.

It's this exposure to the U.S. market that makes me so bullish on BMO. Through its brand BMO Harris Bank, the company has operations throughout the Chicago area and other parts of the United States.

Further, it announced that it had acquired **Green Holcomb Fisher**, a mergers and acquisitions (M&A) advisory firm, to help it grow the U.S.-based BMO Capital Markets departments. Since M&A activity has been so strong, this could generate lucrative fees for the bank.

There are analysts who believe that BMO should buy **Comerica Incorporated** ([NYSE:CMA](#)), a B2B bank headquartered in Dallas. Just the other day Comerica announced that it had expanded its commercial banking resources into Dallas, so this deal would bolster that operation. Comerica has \$71.9 billion in assets and would give BMO massive exposure to the Texas oil fields just as oil prices are rebounding.

Another acquisition it made, which should further bolster its U.S. operations, is the Transportation

Division from **General Electric**. This added 13% to its loan book, and, more importantly, this division accounts for 20% market share in the truck-leasing business. Since the U.S. economy remains strong, this will prove to be very lucrative for the bank.

What's clear is that, while there is concern about a weakening Canadian economy, the U.S. economy continues to generate significant earnings for the bank. And that means that it's been able to pay a lucrative 4.18% yield, which comes out to \$0.86 per quarter. And with a payout ratio of only 50%, it would require a serious cut in earnings before the bank would have to also cut the dividend.

And if history has shown us anything, the dividend is going to continue being paid. It hasn't missed a distribution since the 1800s, so if secure dividends are what you want, BMO is where to go.

All in all, I believe investors should take advantage of this strong bank and start a position. The yield and growth is just too lucrative to pass up.

## CATEGORY

1. Bank Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CMA (Comerica Incorporated)
3. TSX:BMO (Bank Of Montreal)

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