



Bank of Montreal: Don't Overlook it

Description

Sometimes it's easy to tell which companies people are most excited about based on how many articles we write on Fool. One stock I believe is often overlooked is **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) and should be seriously considered by investors.

Despite the economy in Canada weakening, Bank of Montreal saw its net profit drop by only \$26 million year over year. It's true, no one likes a drop in profit, but it still earned \$973 million, or \$1.45 per share. And its net income and adjusted EPS both increased by 7% and 8%, respectively.

So why am I so bullish on a stock that saw profit drop a little?

The primary reason is because of its exposure to the United States. Its U.S. banking division absolutely dominated, bringing in a 29% increase in net income. Think about that for a second ... 29%!

This is significant because, unlike the Canadian economy, the U.S. economy is doing rather well. While it's true that nothing is perfect, Bank of Montreal has been able to do real well with its BMO Harris Bank brand, which operates throughout the Chicago area and other states.

To compound the strength of its U.S. division, BMO acquired the Transportation division from **General Electric** back in December 2015, adding 13% to its loan book. This could turn out to be one of the most profitable acquisitions it makes. The Transportation division is responsible for providing leasing for trucks. Ever driven down the highway and seen a huge tractor trailer? It's possible that it gained its lease through this division.

About 20% of the market goes to the Transportation division for its leases. So long as the economy stays strong, that should continue to be the case. Trucks are a sign of a strong economy. If we see the Transportation division weaken, we'll have a good indicator about where the economy might be headed.

Bank of Montreal also acquired Green Holcomb Fisher, an advisory firm specializing in mergers and acquisitions. This group will be rolled into the BMO Capital Markets department, which could generate fees from all the M&A activity going on.

And analysts believe that if things continue to be poor for **Comerica Incorporated** ([NYSE:CMA](#)), a B2B bank headquartered in Dallas, Bank of Montreal could be the perfect acquirer. It has \$71.9 billion in assets and, more importantly, tremendous exposure to the Texas oil fields. While the acquisition hasn't been announced, this is the type of deal that would make Bank of Montreal even greater.

The reality stands ... while the Canadian economy may weaken, the U.S. economy continues to be strong, generating returns for Bank of Montreal.

But I'll tell you the real reason why people talk about Bank of Montreal. It has to do with dividends. Ever since 1829 Bank of Montreal has paid a dividend. Every year. Even during World War I, the Great Depression, World War II, and the economic crisis last decade, it's never missed a dividend. That stability makes investors feel safe. Currently, it pays a solid 4.1% yield, which provides investors with \$0.86 per quarter.

Don't miss out on this opportunity. Bank of Montreal continues to grow, it's adding more loans to its books, and I expect it to continue doing well for years to come.

CATEGORY

1. Bank Stocks
2. Investing

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