



Why Canadian Imperial Bank of Commerce Is up 2% Today

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)), the fifth-largest bank in Canada, announced better-than-expected third-quarter earnings results this morning, and its stock has responded by rising about 2%. Let's break down the quarterly report and the fundamentals of its stock to determine if we should consider buying into this rally or if we should wait for a better entry point in the trading sessions ahead.

The results that crushed expectations

Here's a summary of CIBC's third-quarter earnings results compared with what analysts had anticipated and its results in the year-ago period:

Metric	Q3 2016 Actual	Q3 2016 Expected	Q3 2015 Actual
Total Revenue	\$4.14 billion	\$3.72 billion	\$3.52 billion
Adjusted Diluted Earnings Per Share	\$2.67	\$2.35	\$2.45

Source: *Financial Times*

CIBC's revenue increased 17.5% and its adjusted diluted earnings per share increased 9% compared with the third quarter of fiscal 2015.

Its double-digit percentage revenue growth can be attributed to its revenues increasing in all three of its operating segments, including 1.6% year-over-year growth to \$2.23 billion in its Retail & Business Banking segment, 72.2% year-over-year growth to \$1.04 billion in its Wealth Management segment, and 18.4% year-over-year growth to \$809 million in its Capital Markets segment.

Its strong earnings-per-share growth can be attributed to its adjusted net income increasing 8.3% year over year to \$1.07 billion, which was driven by 5.5% year-over-year growth to \$667 million in its Retail & Business Banking segment and 15.9% year-over-year growth to \$313 million in its Capital Markets segment, but this growth was partially offset by an 11.9% year-over-year decline to \$126 million in its

Wealth Management segment.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Net interest income increased 4.6% to \$2.11 billion
2. Non-interest income increased 35% to \$2.02 billion
3. Total assets increased 8% to \$494.49 billion
4. Total deposits increased 8.1% to \$389.57 billion
5. Total loans and acceptances, net of allowance, increased 9.4% to \$312.27 billion
6. Total assets under administration increased 6.5% to \$1.99 trillion
7. Total assets under management increased 4.4% to \$179.9 billion
8. Total common shareholders' equity increased 8.4% to \$21.53 billion
9. Book value per share increased 9% to \$54.54
10. Adjusted return on common shareholders' equity of 19.8%, compared with 20.6% in the year-ago period

Dividend? Yes, please!

CIBC also announced that it would be maintaining its quarterly dividend of \$1.21 per share in the fourth quarter, and it will be paid out on October 28 to shareholders of record at the close of business on September 28.

Should you buy CIBC today?

It was an outstanding quarter overall for CIBC, so I think the market has responded correctly by sending its stock higher. I think there is still significant upside from here, so I would be a long-term buyer for two fundamental reasons.

First, it's trading at very attractive valuations. CIBC's stock currently trades at just 10.7 times fiscal 2016's estimated earnings per share of \$9.71 and only 10.6 times fiscal 2017's estimated earnings per share of \$9.85, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.1.

These multiples are also inexpensive given the low-risk nature of Canadian banks from an investment standpoint, since they are well capitalized and face limited competition, and its estimated 4.1% long-term earnings-growth rate.

Second, it has one of the best dividends around. CIBC pays an annual dividend of \$4.84 per share, which gives its stock a very high yield of about 4.7%, and this yield is easily covered by the company's earnings. It has also consistently grown its dividend, as it's currently on pace for 2016 to mark the sixth consecutive year in which it has raised its annual payment, and it has a dividend-payout target of 40-50% of its adjusted net earnings, so I think its consistent growth could allow this streak to continue for decades.

All in all, I think Canadian Imperial Bank of Commerce is one of the best investment opportunities in the market today. All Foolish investors should strongly consider making it a core holding.

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Author

jsolitro

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