



Why Bank of Montreal May Appeal More to Investors Than Any Other Bank

Description

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is not the largest of the big banks by any means, but Bank of Montreal offers investors a unique mix of strong growth, a handsome income, and a series of diversified investments that put the bank in an advantageous position over its peers.

Here's a look why now might be a good time to consider Bank of Montreal.

Strong results

Bank of Montreal is set to report first-quarter 2017 results later this month, but analysts are nearly unanimous in viewing the potential Bank of Montreal has.

In the most recent quarterly update, Bank of Montreal reported net income of \$1.34 billion — an increase of 11% over the same quarter last year. Earnings per share also saw a 10% boost over the same quarter last year, coming in at \$2.02 per share.

Looking over the entire fiscal year, 2016 marked the first time Bank of Montreal's earnings exceeded \$5 billion with adjusted earnings per share registering a 7% increase over last year, coming in at \$7.52.

Dividend and growth

Fiscal 2016 ended on a high note for Bank of Montreal, and not just because of earnings figures. BMO Capital markets has been undergoing aggressive growth in the U.S. market, which is likely to continue in 2017. Revenue from the U.S. capital markets segment realized \$1.54 billion in revenue in fiscal 2016 — an increase over both the \$1.38 billion noted in 2015 as well as the \$1.26 billion in 2014.

The capital markets segment is attributed with the largest amount of profits from the bank after the personal and commercial banking accounts sector. The capital markets segment advised on approximately US\$69 billion of takeover deals last year — more than double the amount Bank of Montreal advised on in the prior year.

This aggressive growth over the past few years has seen Bank of Montreal acquire investment firms

and integrate them into BMO capital markets.

That strong growth was a factor in Bank of Montreal recently announcing a 5% increase to dividends late last year. Bank of Montreal's quarterly dividend currently amounts to \$0.88 per share, or \$3.52 per share on an annual basis. Given the stock's current price of just over \$100, the yield on the dividend is an impressive 3.5%.

Diversified investments

One aspect of Bank of Montreal that has always impressed me is how the bank has diversified itself with some truly impressive acquisitions.

BMO Transportation comes to mind as a prime example. The unit was purchased just over a year ago, and since then Bank of Montreal accounts for nearly 20% of all lending to the trucking sector of both Canada and the U.S.

On the banking side, the \$4.1 billion investment to acquire Marshall Ilsley Corporation back in 2010 was a key acquisition which helped the BMO Harris group double in size overnight. When acquired, Marshall Ilsley was Wisconsin's largest bank with \$50 billion in assets.

One of the other big banks might be able to attest to that type of growth, but when viewed along with all the other arguments, the case for Bank of Montreal is convincing.

While some may see the stock as expensive now, in my opinion, Bank of Montreal is a great long-term investment.

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