



## Grow Your Income With Bank of Montreal

### Description

Bank stocks have been on a rocket ship the past three months, appreciating by double-digit percentages. **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) is no exception. Three months ago, the stock was trading a little under \$87 a share. Fast forward to today, after appreciating by 16.5%, the stock is trading at just a little over \$101 per share. The company is becoming an even greater income stock.

The bank is firing on all cylinders and doing a fantastic job of generating growing income. While we don't yet have Q1 2017 results, we can look back at its 2016 to see that the bank was doing quite well. In fiscal 2016, it earned \$4.6 billion in net income, which was up 5% from fiscal 2015. And its EPS was up 5% to \$6.92. Its return on equity (ROE) was down a bit from 12.5% in 2015 to 12.1% in 2016.

The increase in net income can be attributed to a series of smart acquisitions the bank made over the past few years. First was the Marshall Ilsley Corporation acquisition back in 2010; Bank of Montreal paid \$4.1 billion. By doing this, the bank's BMO Harris group doubled in size. An expanding U.S. presence is going to have a long-term positive impact on net income.

Another acquisition, which will help bolster its capital markets division, was the takeover of Greene Holcomb Fisher, an advisory firm that has worked on 100 deals over the past five years. With M&A activity expected to continue growing through 2017, I expect this acquisition to contribute lucrative advisement fees.

The most important acquisition that really helped was the takeover of the **General Electric's** transportation finance business which was completed in 2016. All told, this division accounts for 20% of all lending made to transportation companies, so the potential is significant.

In the Q4 2016 earnings, management said, "revenue of \$906 million increased \$182 million or 25%, due to *the acquire BMO Transportation Finance business* [the emphasis is mine], higher organic loan and deposit volumes, and increased deposit spreads and fee income." Management is incredibly bullish on BMO Transportation's future at the company.

Another reason Bank of Montreal is doing so well (and the reason most banks are doing so well) is

because there are discussions about readjusted corporate tax rates in the United States and the abolishment of the Dodd-Frank Act. With more money coming into corporations, M&A activity could increase, thus increasing fees as well as helping the capital markets department continue to generate more income.

All of this makes it possible for Bank of Montreal to be one of the best dividend stocks in the market today. The company pays \$0.88 per quarter, which is good for a 3.48% yield. What should excite investors is that the dividend has been growing regularly. Toward the end of 2016, management announced a 5% increase in the dividend. And with growth expected in many of its departments, it's likely that the dividend will continue increasing for quite a few years to come.

## CATEGORY

1. Bank Stocks
2. Investing

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