



PrivateBancorp Inc. Will Make Canadian Imperial Bank of Commerce Great Again

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) pulled back by nearly 3% on Thursday following news that the company increased its bid by 20% to acquire Chicago-based **PrivateBancorp Inc.** (NASDAQ:PVTB). The takeover deal is now US\$4.9 billion, which is substantially higher than the company's first bid.

It's not a mystery that Canadian Imperial Bank of Commerce lacks exposure to the U.S. and international markets, and it needs to make an acquisition to stay competitive with its peers in the Big Five. Canadian Bank of Commerce can be considered the riskiest bank stock, but that's why it's trading at a discount relative to its peers.

The company is currently overexposed to the unstable Canadian economy, which I believe won't be as strong as the U.S. economy over the next few years, especially after the Trump Administration follows through on promises that will give America a huge boost.

Financial stocks have been getting beaten up lately, so it may be an opportune time to pick up shares of Canadian Imperial Bank of Commerce on weakness.

The general public is not happy with the upped bid to take over PrivateBancorp because it's not a cheap acquisition, but I believe it's a necessary one if the company is going to thrive in years down the road. If the PrivateBancorp acquisition goes through, it won't be accretive to the company's bottom line until 2020. In the short term, investors hate the deal, but if you've got a time horizon beyond five years, then it might be a good idea to buy shares while everyone else is selling them.

Canadian Imperial Bank of Commerce is playing a game of catch-up right now because other banks in the Big Five already have exposure outside Canada. If the PrivateBancorp deal goes through, then we may see the valuation gap between Canadian Imperial Bank of Commerce and its peers shrink, and this could mean a huge upside for long-term shareholders.

After the original PrivateBancorp deal failed, I wasn't a fan of Canadian Imperial Bank of Commerce. I think the original bid was too low, but the new bid seems very reasonable, and I think it increases the odds that the acquisition will go through.

I like that the management team is determined to get that U.S. exposure, and it will make the company a stronger player in the long run. I think the company will inevitably get the international diversification it needs, whether it's through PrivateBancorp or through other means. For this reason, I think the stock is a great long-term buy, and I've scooped up shares on the recent dip.

The stock currently yields a fat 4.5% dividend yield that investors can collect while they wait for the company to find ways to mitigate risk by obtaining international diversification via acquisition.

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