



Canadian Western Bank May Be a Great Buy!

Description

Last week, the CEO of **Canadian Western Bank** ([TSX:CWB](#)) announced the company's intentions to expand into the Ontario market. While this is good news for Ontario, the bank may not be expanding into the retail market the way consumers think.

Currently, the Ontario retail banking landscape is dominated by a handful of large banks (known as the Big Five), which have branches in every major city across the province. While it remains to be seen if Canadian Western Bank will be opening retail bank branches, the "branchless" model is nothing new to Canadians. For example, consider Tangerine, which was previously called ING; it is the country's premiere online bank.

Assuming Canadian Western Bank has intentions to diversify away from the oil patch and serve Canada's retail sector, the company may not be required to open a number of physical branches; instead, it may require no more than an online presence. The good news is, the company has already made significant investments in technology.

For investors, this translates to an opportunity. While we can be happy, it is important to realize that shares of the company are currently trading around \$30 and pay a dividend of a little more than 3%. At a trailing price-to-earnings multiple close to 14 times, investors are not getting an incredible deal, but nor are they overpaying. The share price seems very reasonable.

The beauty in the company's strategy and the timing of the announcement is that the current operations of the bank, which are situated in the oil patch, are steadily improving; the company expects to make inroads over the next few years, while things in eastern Canada may cool down.

Oftentimes in a country as diverse and as large as Canada, when things on one side of the country are going well, things tend to slow down on the other side. When the price of oil (and the Canadian dollar) declines, eastern Canada will often pick up due to the focus on exports and manufacturing. While it seems the country as a whole can't figure itself out, the reality is, this behavior is fantastic for the federal leadership. There's always something to boast about!

Currently positioned in the western part of the country, Canadian Western Bank may take years to

reach the full Canadian public. Given this conundrum, investors hunkering down now should be prepared to exercise patience and be ready to stay the course. While the company has shown itself to be very responsible during the major drop in oil prices, investors should still be cautious with this name.

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